FINANCIAL TIMES

Europe's Business Newspaper

TUESDAY MAY 4 1993

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Klöckner set to face $108m loan action by EC

The European Commission is poised to demand full recovery of its DM175m ($108m) loan to Klöckner-Werke, German steel group which filed for protection from its creditors in December. The move threatens to push the group into outright bankruptcy. Page 17; Fears on steel support plans, Page 3

US indicator plunges: Fresh signs of US economic weakness were exposed by an unexpected plunge in the Purchasing Managers' Index which fell almost 4 points between March and April. Page 16; Field-day for bears, Page 34

IBM lures Chrysler executive: Jerry York, chief financial officer of Chrysler for the past two years, has been named to the same position at International Business Machines. Page 19

Continental, German tyre company, has decided it would be "premature" to pay shareholders a dividend for 1992 despite a return to profitability last year. Page 19

UK government ads faulted: UK government advertisements in Germany aimed at encouraging businesses to move to Britain are exaggerating the savings in labour costs to be made by the switch, says a UK study. Page 16

UK fear of unemployment: More than four out of every 10 UK workers are worried they could be without a job in the next 12 months, says a survey by the Mori polling group. Page 8

Brussels break-out: Three of Belgium's most wanted men made an audacious armed break-out from a Brussels jail, shaming the country's prison service and police. Page 16

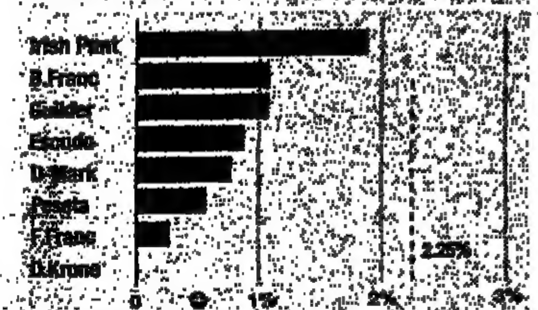
NatWest store move: National Westminster Bank, the UK clearing bank, is to introduce store cards in Germany. Page 8

Dutch growth falters: Dutch economic growth is likely to fall below 1 per cent in 1993 before rebounding to around 2 per cent next year, says the Organisation for Economic Co-operation and Development. Page 2

Jammu bombs kill two: Thirty-eight people were injured, eight critically, when bombs exploded at a cinema and a bus station in Jammu, Kashmir.

European Monetary System: The Spanish peseta has regained some of its strength in the European exchange rate mechanism grid, rising from bottom place to second-from-bottom. Its rise has partly been due to last week's strong indications that the Bundesbank will continue to cut Germany's short-term interest rates this month, reducing pressure on the peseta/D-Mark cross rate. Bank of Spain intervention has also supported the currency, although dealers remain concerned that this has led to a heavy depletion of the country's official reserves. IMF to oversee currency trends, Page 6; Gradual recovery from crisis, Page 21; Currencies, Page 29

EMS: Grid May 3, 1993



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. The Spanish peseta and Portuguese escudo operate with 6 per cent fluctuation bands.

Armenian minister shot: Gunmen shot dead Armenia's railway minister Ambartsum Kandilyan as he drove to work in the capital Yerevan.

Cape murders fuel SA tension: South Africa was braced for more racial tension after five whites were killed by blacks in a Cape hotel bar at the weekend. Page 16

Iveco, commercial vehicle subsidiary of Fiat of Italy, suffered a second heavy annual loss in the face of the continuing steep fall in west European truck sales. Page 17

BT share sale: At least four European banks excluded from the global syndicate to market the UK government's remaining BT share stake have withdrawn their support as regional managers to the £5.5bn ($8.47bn) issue. Page 17

Gaullist drowns: Jean Roux, 66, Gaullist regional council vice-president, drowned himself in the Loire at La Charite just 24 km from Nevers where former Socialist premier Pierre Bérégovoy committed suicide on Saturday.

STOCK MARKET INDICES		
Tokyo Nikkei	Closed	
New York lunchtime		
Dow Jones Ind Ave	3431.85	(+3.51)
S&P Composite	438.98	(-0.21)
US LUNCHTIME RATES		
Federal Funds	3 1/16%	
3-mo Treas Bills: Yld	2.93%	
Long Bond	103⅛	
Yield	6.873%	
Gold		
New York Comex		
June	$355.3	(357.2)

STERLING	
New York lunchtime:	
$	1.56
DOLLAR	
New York lunchtime:	
DM	1.5855
FFr	5.34325
SFr	1.43235
Y	110.885
Tokyo Closed	
London markets closed	

Austria	Sch30	Germany	DM3.30	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Greece	Dr300	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr60	Hungary	Ft172	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25.00	Iceland	IKr160	Neth	Fl 3.75	Slovak Rp	KSL45
Croatia	SLT260	India	Rs40	Nigeria	Naira45	Slovenia	HRD5100
Cyprus	C£1.00	Israel	Shk5.90	Norway	NKr16.00	Spain	Pta200
Czech Rp	Kcs45	Italy	L2700	Oman	OR1.50	Sweden	SKr15
Denmark	DKr15	Jordan	JD1.50	Pakistan	Rs35	Switz	SFr3.20
Egypt	E£4.50	Korea	Won 2500	Philippines	Peso45	Syria	S£50.00
Finland	FM12	Kuwait	Fils.600	Poland	Zl 22,000	Tunisia	Din1.250
France	FFr9.00	Lebanon	US$1.25	Portugal	Es215	Turkey	L7000
						UAE	Dh11.00

Owen confident that Bosnian Serbs will ratify Athens accord

Bosnian peace plan threatened

By Laura Silber in Belgrade and Robert Mauthner in London

BOSNIAN SERB hardliners yesterday warned that it was far from certain their self-styled parliament would ratify a Bosnian peace agreement, signed under great pressure by their leader, Mr Radovan Karadzic, in Athens on Sunday.

The fate of the plan, brokered by Mr Cyrus Vance and Lord Owen, the United Nations and European Community mediators, now depends on the outcome of a meeting of the assembly in the Bosnian Serbs' headquarters at Pale, near Sarajevo, tomorrow.

Both Lord Owen and President Slobodan Milosevic of Serbia, who played a key role during the hastily convened summit of the Bosnian warring factions in persuading Mr Karadzic to sign the agreement, have expressed confidence that Bosnian Serb assembly would finally endorse it. Mr Milosevic has even indicated that he would go to Pale himself to address the assembly.

But Mr Karadzic, who has announced that he would resign if the parliament rejected the peace plan for a third time, said yesterday he expected a hard struggle to persuade the parliament to back it.

Under the plan, Bosnia would be divided into 10 semi-autonomous provinces, largely on ethnic lines, and the Bosnian Serbs would have to give up more than one-third of the territory they now occupy.

Even more discouraging were the remarks at the weekend of Mr Momcilo Krajisnik, president of the Bosnian Serb assembly, who said that Mr Karadzic's signature did not in any way mean actual acceptance of the agreement. "I believe it must be reworked and cannot be accepted in its present form," he said.

Meanwhile, the US has made it clear that it wants the international community to keep up the pressure on Serbia and the Bosnian Serbs, which included the preparation of military options, in case the Bosnian Serbs did not honour the agreement.

A statement to this effect was issued after five hours of talks in Britain between Mr Warren Christopher, the US secretary of state, Mr John Major, UK prime minister, Mr Douglas Hurd, foreign secretary, and Mr Malcolm Rifkind, defence secretary, on Sunday.

The statement said the US and UK would continue to develop "a common position with our partners and allies on stronger measures to be taken if the Serbs fail to implement the peace settlement. Several options are under consideration, including military steps."

However, no reference was made to well-publicised British reservations about the desirability of military action, be it the partial lifting of the arms embargo on the former Yugoslavia to help the Bosnian Moslems or selective air strikes against Bosnian Serb road and supply lines.

Mr Christopher yesterday met Mr Javier Solana, the Spanish foreign minister, and Mr Michalis Papakonstaninou, the Greek foreign minister, on the second day of a mission aimed at building a consensus among western allies on the need to take military measures if the Bosnian Serbs do not implement the Vance-Owen plan.

He was due to fly to Paris later yesterday, before continuing his European tour with stops in Moscow, Brussels and Bonn.

In Brussels, Mr Christopher is due to visit Nato headquarters for discussions with Mr Manfred Wörner, the Nato secretary-general and military chiefs, on both contingency plans for western air strikes against the Bosnian Serbs and the possible US contribution to peacekeeping forces to enforce the Vance-Owen plan, once it is clear that it will be implemented.

Nato's offer to take on the peacekeeping task on behalf of the UN, which is already overstretched by its commitments round the world, received a boost yesterday when the White House announced it was prepared to contribute ground troops to such an operation. The US has not, however, specified how many troops it is prepared to make available.

Nato military experts have estimated that implementing the Vance-Owen plan will require at least an extra 60,000 troops.

Clinton keeps up pressure, Page 2
Editorial Comment, Page 15

BAe and Matra in missiles merger

By Paul Betts and Andrew Adonis in London

BRITISH Aerospace and Matra-Hachette of France are on the verge of combining their missile-manufacturing operations to create one of Europe's biggest guided weapons companies.

The two companies are expected to announce this week agreement to form a joint venture combining the subsidiaries. Its annual turnover will be more than £1bn ($1.54bn).

According to today's issue of Flight International magazine, the British and French governments are "aware of the situation" and are likely to approve.

The merger is a significant step in the consolidation and rationalisation of Europe's defence and aerospace industry, accelerated by the reduction in government defence spending since the collapse of the eastern bloc.

BAe, one of Britain's largest manufacturing companies, has repeatedly said it wanted to form a partnership with other European defence groups for its missiles operation as part of its restructuring strategy.

Two years ago BAe sought to merge its lossmaking guided weapons business with that of the French Thomson-CSF group, but the deal collapsed. Thomson-CSF has since linked up with Short Brothers of Belfast to develop ground-to-air missiles.

BAe was in talks with the private Matra group last year over a possible sale of its space activities, but the two failed to agree on a price. However, they maintained contact and have been negotiating a merger of their missiles businesses for some months.

With 5,000 employees, BAe's Defence Dynamics division is the larger employer, but the two missiles businesses are around the same size in terms of turnover. Matra's missile sales totalled around FFr5bn ($920m) last year while BAe had annual missile sales of around £500m.

Matra has long wanted to forge a European partnership for its defence activities in preference to taking part in a restructuring of the French domestic missiles industry with the state-controlled Aerospatiale and Thomson-CSF.

Mr Noel Forgeard, head of Mat-

Continued on Page 16

Engholm quits over knowledge of 'dirty tricks' campaign against him

Blow to German opposition as leader resigns

By Quentin Peel in Bonn

GERMANY'S opposition Social Democrats, the main challengers to the rule of Chancellor Helmut Kohl, were thrown into disarray yesterday by the sudden resignation of their leader, Mr Björn Engholm.

His decision to quit as party leader and as premier of Schleswig-Holstein, ostensibly for misleading a parliamentary inquiry in his home state, leaves the party adrift less than a year before the start of a series of 19 local, state, national and European elections.

Mr Engholm announced his move at an emotional press conference, after he had admitted lying about his inside knowledge of a "dirty tricks" campaign against him by the rival Christian Democrats in Schleswig-Holstein in 1987.

He said the affair had damaged his political credibility, without which he could lead neither his state nor the SPD. He remains one of the most popular politicians in the country, alongside Mr Hans-Dietrich Genscher, the former foreign minister, and Mr Wolfgang Schäuble, parliamentary leader of the CDU.

The SPD announced that Mr Johannes Rau, its most senior vice-chairman, prime minister of North Rhine-Westphalia and the party's challenger to Mr Kohl in 1987, would take over as leader until a new party chief could be elected.

Leading candidates include Mr Gerhard Schröder, prime minister of Lower Saxony, and Mr Rudolf Scharping, prime minister in the Rhineland Palatinate. However, Mr Schröder is blamed for harming Mr Engholm in recent weeks by allowing his own ambitions to be known.

Mr Rau admitted that the affair was "a heavy blow" for the Social Democrats, who have been struggling to gain a clear political lead in spite of the current sharp economic recession and squabbling within the ruling coalition.

Political observers in Bonn remain baffled at Mr Engholm's decision to quit for lying about the precise moment at which he knew of the dirty tricks campaign being conducted against him by Mr Uwe Barschel, the CDU premier in Schleswig-Holstein.The question was whether he knew before the polling day, or only afterwards.

Mr Barschel's press spokesman revealed at the time that he had co-ordinated a series of smear stories against Mr Engholm. As a result of the revelations, the elections were rerun, resulting in victory for the SPD, and Mr Barschel was found dead in a hotel bathroom in Geneva, having apparently committed suicide.

In recent weeks, it has emerged that Mr Barschel's press spokesman had received DM40,000 ($25,000) from one of Mr Engholm's closest aides, in apparent payment for information about the dirty tricks campaign.

IG Metall strike, Page 3
Germany's malaise, Page 15

Björn Engholm (right) announces his withdrawal from politics, watched by Johannes Rau

Outlook for Italy improves as two ministers reconsider

By Haig Simonian in Milan

THE OUTLOOK for Italy's week-old government led by Mr Carlo Azeglio Ciampi, the prime minister, brightened yesterday in spite of growing tensions within the two main parties supporting it.

The change came amid signs that Mr Vincenzo Visco and Mr Augusto Barbera, two of the four ministers who resigned from the government last week, might be reconsidering their decisions.

Mr Giorgio Benvenuto, the leader of the Socialist party, appealed to the Democratic Party of the Left (PDS), the former Communists, to reconsider its opposition to Mr Ciampi.

Mr Visco and Mr Barbera, both PDS politicians, said their decisions would be temporarily "frozen" pending a decision by their party. Last night, the party decided against supporting Mr Ciampi, but left open the door to abstaining in a parliamentary vote of confidence later this week.

The resignations came after parliament decided on Thursday to turn down the request by Milan magistrates to lift the immunity of Mr Bettino Craxi, the former Socialist leader, on several instances of alleged corruption. The vote unleashed demonstrations throughout Italy and calls for immediate parliamentary elections.

Separately yesterday Mr Giulio Andreotti, the seven times prime minister who is facing investigations for alleged links with the Mafia, said he would ask the senate to lift his own immunity. He said he did not want the issue to exacerbate tension.

A senate committee last week agreed to the request by Palermo magistrates that Mr Andreotti's immunity be lifted, amid strong opposition from the former premier, now a life senator.

Mr Andreotti's move and the mere survival of the government over the weekend helped to lift sentiment in the share and currency markets. Equities rose sharply in Milan, while the lira made up some of the ground lost against other currrencies after parliament's surprise decision on Mr Craxi.

However, the repercussions of the Craxi vote were still being felt among the Socialists and Christian Democrats, the two main parties supporting the four-party coalition government.

A number of leading Socialists, including Mr Giorgio Ruffolo, a former environment minister and member of the senate, left the party at the weekend in protest at the decision over Mr Craxi's immunity.

The resignations mark a deepening rift between supporters of Mr Craxi and other Socialists who want to distance the party from its former leader.

Similar, but less acute, tensions have emerged within the Christian Democrats.

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Experts estimate 70,000 international troops could be needed to monitor peace

West would take strain of Bosnian deal

By Robert Mauthner, Diplomatic Editor

IMPLEMENTATION of the Bosnian peace plan brokered by Mr Cyrus Vance and Lord Owen in Athens at the weekend will present the international community - and the western allies in particular - with huge problems.

The plan, which comes into effect 72 hours after the United Nations Security Council has approved it, probably within the next few days, will require an international force estimated by experts at between 50,000 and 70,000 men. It has been notoriously difficult for the UN to persuade reluctant member nations to contribute the necessary forces for peacekeeping operations round the world. But Nato has come to the rescue in the case of Bosnia by offering to take on the task on behalf of the world organisation.

Few pledges have so far been received from individual countries, but Nato planners had some good news at the weekend when the White House announced that the US was working with Nato allies on the creation of peacekeeping ground forces.

Such forces could include Americans if a peace accord was implemented in Bosnia, Ms Dee Dee Myers, the White House press secretary, said.

If Nato becomes the main instrument for peace enforcement in the former Yugoslav republic, that will solve at least one American problem. The US has always been reluctant to place its troops under UN command, but has had no such objections against a Nato commander, not least because the alliance's commander-in-chief is traditionally an American.

More difficult, on the other hand, will be the incorporation of any Russian and other eastern European troops into a Nato peacekeeping force, although the problem may well be solved by the reluctance - or inability - of any of these countries to make troop contributions.

France, too, has serious reservations about an overall Nato command, since it is not a member of the alliance's integrated military organisation. The problem does not appear intractable, however. The whole peace enforcement operation could still be put under umbrella of the UN, with Nato acting as its military executant.

Another big problem is the speed with which troops would be deployed; they need to be on the ground quickly. Under the plan, all heavy weapons have to be withdrawn from Sarajevo within five days of a ceasefire coming into effect and from all other frontline positions within 10 days. All Serb, Moslem and Croat forces must be withdrawn to the provinces designated by the Vance-Owen plan to their three communities within 45 days.

It is clear that all these redeployments will require the presence of UN troops to oversee and monitor them.

Yet the logistical problems are enormous, according to Field-Marshal Sir Richard Vincent, chairman of Nato's military committee, and it remains doubtful whether troops can be deployed as rapidly as the peace plan demands.

Seeds of peace fall on inhospitable ground

Laura Silber on prospects for the Vance-Owen initiative

THE international peace plan for Bosnia-Hercegovina aims to reinvent a state on the ashes of war. But the chances for the treaty to take root remain remote.

Under intense pressure from Serbian President Slobodan Milosevic and increasing threats of military intervention, Mr Radovan Karadzic, the Bosnian Serb leader, on Sunday caved in and initialled the Vance-Owen peace plan. If implemented, the agreement would abolish his self-proclaimed Serb state, which covers nearly 70 per cent of Bosnia.

Mr Karadzic tomorrow will have to persuade hardline deputies to the self-styled Bosnian Serb parliament to back the plan, which last week they unanimously vetoed on the grounds that it transformed a "brilliant military victory" into a defeat. The plan calls for Bosnian Serbs to give up nearly half the territory they now control.

Mr Cyrus Vance and Lord Owen, the international mediators, detailed at the emergency summit this weekend "clarifications" to their plan which calls for the division of Bosnia into 10 semi-autonomous provinces roughly along ethnic lines. At the assembly session Mr Karadzic is likely to point to these clarifications as "concessions" which have made the plan acceptable. Bosnian Serb leaders have stressed the importance of a corridor, running across northern Bosnia to link Serb-held territories in Croatia and Bosnia with Belgrade.

The mediators have also won an undertaking that Moslem or Croat troops will not be allowed to return to provinces allocated to their ethnic groups where there are Serb communities. Instead, they will be policed by UN troops.

But western diplomats say the apparent concessions are little more than a face-saving mechanism to enable Serb leaders to present the plan as a victory for Serbian interests.

Lord Owen's strategy, in part, was based on driving a wedge between leaders from Serbia and Bosnia. Tough new sanctions were imposed on the rump Yugoslavia after Bosnian Serb deputies rejected the plan, which heightened Belgrade's fury against the Bosnian Serbs.

"If you look at the fine print, the concessions do not match Serbian claims, or as they appear in Milosevic's speech," said a diplomat referring to a strongly-worded letter from the Serbian president and his Yugoslav counterparts. In the first public criticism of Bosnian Serb leaders, they warned that the intransigence was endangering 10m citizens of Yugoslavia, comprised of Serbia and Montenegro.

Further, Mr Milosevic clearly exerted pressure on deputies to the Serbian parliament in Belgrade to vote in favour of his letter, which was tantamount to their approval of the Vance-Owen plan.

Bosnian Serb leaders previously rejected the plan as it did not give them adequate guarantees of a secure northern corridor joining territory designated as Serb.

The plan in its endorsed form envisages a 10km, increased from 2km, demilitarised zone around a UN-monitored throughway. The agreement prohibits the transport of troops or military equipment in this zone.

It also names 10 other UN "blue routes" in Bosnia which will link ethnic provinces.

Serb leaders also heralded the proposal on troop withdrawal as another concession. It is relevant only in areas designated as Moslem where the Serbs are in full control and proscribe Croat and Moslem troops from moving into areas assigned to their control in "province five", the area along the strategic Drina River valley, even after the planned withdrawal of Serb troops.

Peace negotiators have called for the despatch of 70,000 UN troops, to be drawn up from Nato, including the US, and possibly Russia to protect minority groups, in this case Serb communities. "Province five" was mostly Moslem until a year ago when Serb forces expelled or killed tens of thousands of people in the valley.

Critics of the Vance-Owen plan point to the weaknesses of the peace plan in Croatia, agreed in January 1992, which failed to demilitarise Serb paramilitary troops and enable the return of refugees.

It is likely the agreement will be dogged at every step by the spectre of the UN peace deal in Croatia. UN officials defend the Croatian plan for stopping mass killing and destruction, but concede it was weakened by the lack of political negotiations.

Conference negotiators have set out to avoid this pitfall by writing a detailed political formula calling for elections to be held in each of the 10 provinces within 18 months. The UN troops will protect the minorities at least until then.

The plan's success hinges in part on the extent to which Serbs are ready to give up their idea of uniting Serb-held territories within a Greater Serbia. It also hinges on whether Croatia will allow the independence of adjacent Croat-designated territories.

Sarajevo, the besieged Bosnian capital, is to be demilitarised under the plan. Over the next week it will be an indicator of whether Serbs are ready to reach a peace in Bosnia.

If the plan is approved, the key to implementation will be how quickly the UN Security Council responds to troop deployment. Peace negotiators are also aware that the chance of reversing the horrors of war is slim.

Mr Fred Eckhard, spokesman for the peace talks, said: "We have now done the easy part."

Clinton keeps up pressure on Serbs

By Jurek Martin in Washington

THE Clinton administration yesterday kept up pressure on Bosnian Serbs ahead of the vote tomorrow by their self-styled parliament on the Vance-Owen peace plan, signed by Bosnian Serb leader Mr Radovan Karadzic on Sunday.

Bolstering warnings delivered in Europe by Mr Warren Christopher, US secretary of state, President Bill Clinton said in brief comments prior to a meeting with Mr Chris Patten, the governor of Hong Kong, that the US was ready to support a United Nations peacekeeping effort with a substantial US military involvement.

Ms Dee Dee Myers, White House press secretary, said Nato was working on a peacekeeping plan with the UN. She noted that although Mr Clinton had ruled out a unilateral deployment of US ground forces in Bosnia, participation in "the implementation of a mutually agreed peace treaty" was under consideration.

Mr Clinton scheduled another afternoon meeting yesterday with senior advisers, at which the US contribution to a peacekeeping force was again to be discussed.

Some controversy centres on the command of such an operation.

Although the US force still in Somalia reports to a Turkish general appointed by the UN, it is assumed that the Pentagon would be uncomfortable if it enjoyed less than effective control over an operation as dangerous as that in Bosnia.

Nevertheless, the administration is taking cautious - if temporary - satisfaction from the perception that its threat to use military force in Bosnia seems to have been influential in bringing about the provisional Athens agreement.

There is also a more palpable sense of vindication that US support for President Boris Yeltsin of Russia has paid immediate dividends in the Balkans. Pressure from Moscow on Mr Slobodan Milosevic, the Serbian president, is seen as instrumental in getting Mr Karadzic to sign the Vance-Owen plan.

This qualified sense of achievement is, however, tempered by the awareness that the war in Bosnia is far from over and that Mr Karadzic's signature may yet mean nothing.

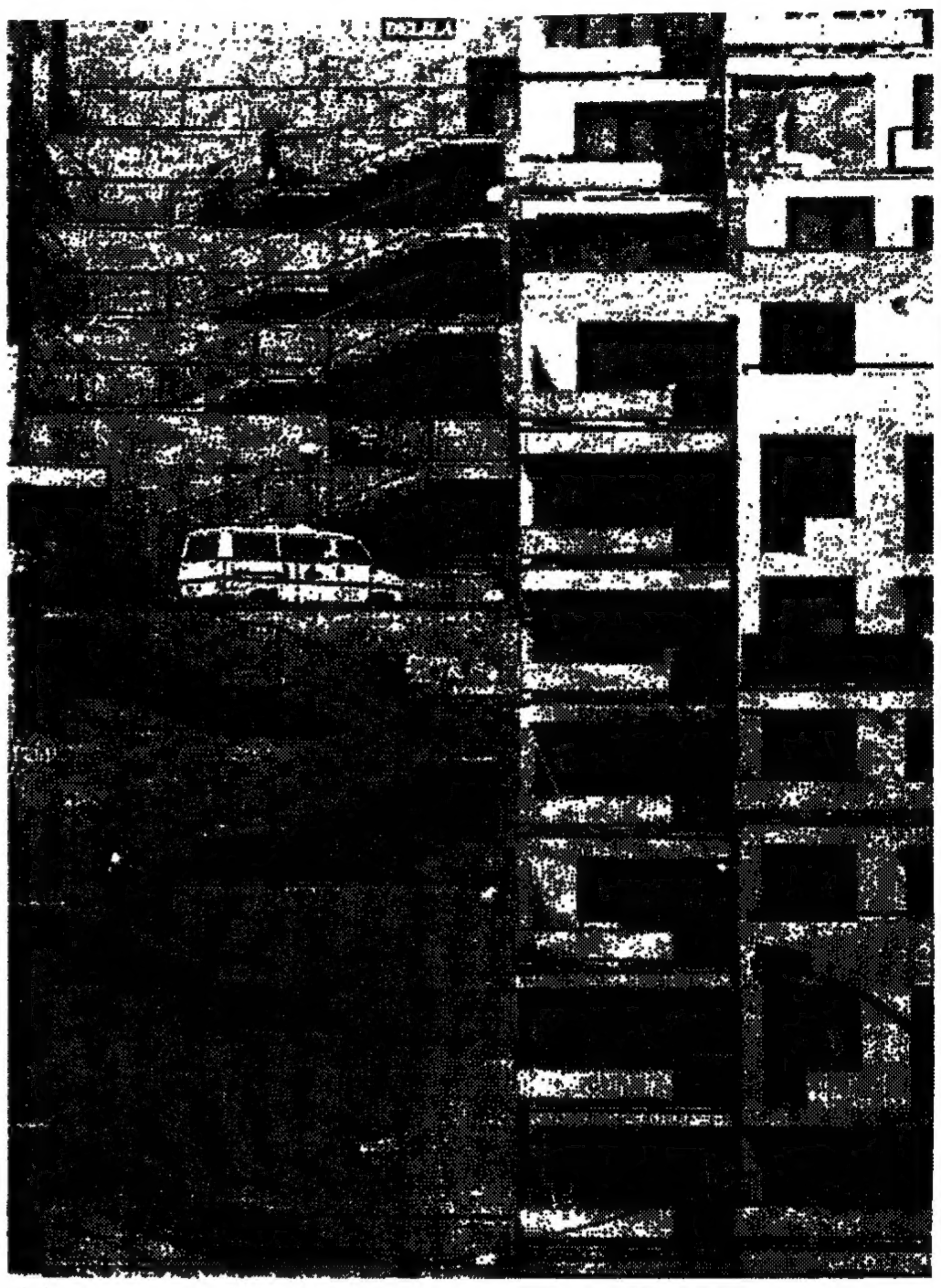
"I want to evaluate them [the Bosnian Serbs] by their actions," Mr Clinton said yesterday, repeating his weekend comments of the importance of "deeds, not words".

Before he agreed to put "one American soldier there... we're going to watch events," he said, adding he would talk "directly to the American people about it".

US participation in a peacekeeping force would not be politically risk-free at home, especially if it involved the deployment of 20,000-30,000 personnel.

A Newsweek poll published yesterday found 60-27 per cent opposition to sending ground forces, while a Time-CNN survey found 52 per cent believed the US had already done enough to stop the fighting in Bosnia.

The administration hopes, however, that politicians and the public would be more willing to support an allied peacekeeping operation under a UN umbrella and with Nato's engagement than a unilateral approach.



High-rise rescue: An ambulance makes its way along a staircase linking buildings in Sarajevo

Yeltsin's enemies trip up with an own-goal

By Leyla Boulton in Moscow

TELEVISION pictures of Communist demonstrators charging Russian police on May Day are the latest contribution to a vigorous media campaign which is proving President Boris Yeltsin's most powerful weapon against his political opponents.

After blaming the media for the president's referendum victory, the hardline opposition scored an own-goal on Saturday when up to 300 people were hurt during the first violent demonstration in Russia since the demise of the Soviet Union.

Having relied on aggressive advertising and sympathetic coverage of the conflict with parliament to win last month's referendum, the Yeltsin camp has moved quickly to exploit what it described as a provocation by neo-Communists who could not cope with defeat.

Almost every news programme over the weekend replayed footage of the violence.

In an ironic twist, pensioners at the May Day rally included Mr Vladimir Kryuchkov, the former Soviet KGB chief who once accused pro-Yeltsin demonstrators of wanting to seize power and who is now facing trial for his part in the 1991 coup.

Mr Sergei Filatov, the president's chief of staff, said hardline deputies who organised the demonstration had to bear responsibility for events. Suggesting there would be tough action to prevent a recurrence of violence, he said society had to prevent holidays being turned into a "struggle with the people".

Mr Yevgeny Kiselyov, the respected TV journalist who interviewed Mr Filatov, described Sunday's violence as "an attempt to achieve success by naked force on the part of those who suffered defeat in the referendum". In defiance of any possible ban, the unrepentant National Salvation Front (NSF) has already announced a rally for May 9, the anniversary of the Soviet defeat of Nazi Germany.

Mr Mikhail Astafiev, a deputy and NSF leader, described coverage of the weekend events as a "falsification".

The media are motivated by a mixture of pressure from government paymasters and voluntary support, born of a perception of Mr Yeltsin as the lesser of two evils in the conflict with his opponents.

Such a perception, for instance, motivates the pro-Yeltsin line of Izvestiya newspaper which has spent months fighting off attempts by Mr Ruslan Khasbulatov, the parliamentary chairman not known to embrace press freedoms, to take it over.

On Friday, Mr Khasbulatov, who blamed Mr Yeltsin's victory on media "terror", disbanded parliament's media committee to rectify the "Goebbels-style lies" of the president's media chief.

Shorn of all members except for its chief, a deputy from the hardline Russian Unity bloc, the committee was accused of disobeying instructions to allocate air-time in proportion to the factions represented in the conservative-dominated parliament.

Having started off with a distaste for anything smacking of Communist-style propaganda when Prime Minister Yegor Gaidar first launched radical economic reforms a year ago, the Yeltsin administration is now making full use of the media. It remains to be seen whether it will put its advantage to good use.

France 'shares fears' with UK

By David Buchan in Paris

FRANCE believes that Britain shares its "reservations" about the use of air strikes, designed to cow the Bosnian Serbs but which also endanger the 7,500 peacekeeping troops the two countries have in the former Yugoslavia.

Mr Edouard Balladur, French premier, said yesterday on the eve of his trip later today to London for his first meeting in office with Prime Minister John Major that he hoped to achieve a "homogenous" Anglo-French position on the way forward in Bosnia.

"We are very concerned not to take counter-productive measures, which instead of calming the fighting could increase it," he told journalists. He believed that opinions were divided on the issue of possible air strikes to reinforce United Nations sanctions and the Vance-Owen peace plan, even within the US administration. The premier will meet Mr Warren Christopher, US secretary of state, in Paris this morning.

On the other main subject of today's meeting at Downing Street, Mr Balladur said he hoped to convince Mr Major that Europe should not rush ahead with the Gatt trade negotiations, but that it should take the time to prepare "a durable, balanced agreement taking account of all European interests". He did not accept that "any agreement is better than none at all".

France will shortly be sending its EC partners its detailed comments on all 15 trade sectors treated in the current Uruguay Round. Mr Balladur said he would discuss with Mr Major the need for Europe to win concessions in several of these areas - in particular copyright protection, services and dispute settlement.

World health body spurns Yugoslavia

THE annual meeting of the World Health Organisation yesterday voted overwhelmingly to bar the rump Yugoslavia from the work of the 185-nation UN agency, writes Frances Williams in Geneva.

The resolution to oust Yugoslavia, comprising Serbia and Montenegro, was passed by 125 votes to three, with 26 abstentions. Russia, Zimbabwe and Yugoslavia voted against the resolution.

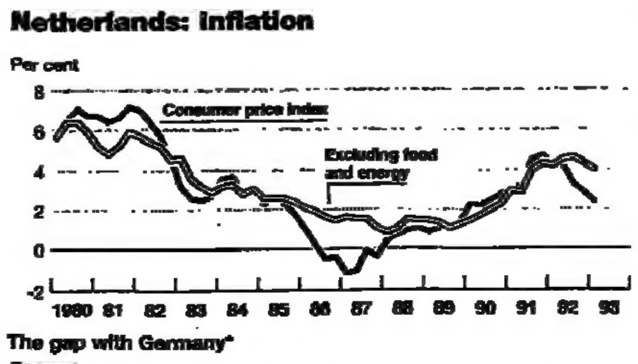
The move was sponsored by neighbours Albania, Croatia and Slovenia, west European countries, and Moslem nations such as Saudi Arabia, Pakistan, Iran and Turkey.

WHO officials stressed that the decision, which follows a similar vote in the UN General Assembly last year, did not affect the organisation's humanitarian programmes in Serbia, Montenegro and other former Yugoslav republics. It has about 50 staff in the rump Yugoslavia.

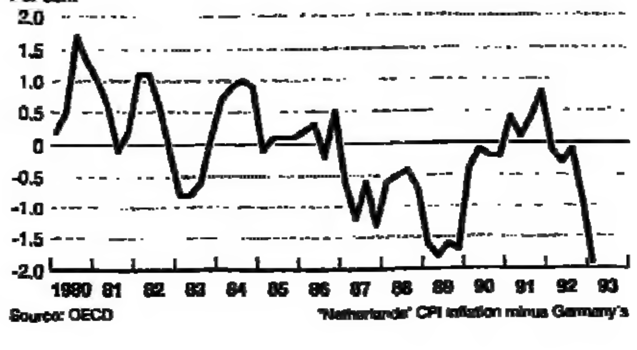
Yesterday's resolution says the republic cannot automatically assume its WHO seat and must reapply for membership.

Netherlands 'likely to escape recession'

Netherlands: Inflation



The gap with Germany*



Source: OECD *Netherlands' CPI inflation minus Germany's

By Ronald van de Krol in Amsterdam

THE outlook for the Dutch economy is "mediocre", with growth likely to fall below 1 per cent in 1993 before rebounding to around 2 per cent in 1994, according to the Organisation for Economic Co-operation and Development.

Despite its predictions of a lacklustre immediate future, the OECD seems to provide additional support for the widely held Dutch view that the economy will probably be able to escape the recession plaguing neighbouring Germany, which is the Netherlands' biggest trading partner and accounts for up to 30 per cent of its exports.

Like most other European economies, Dutch growth is faltering. "But in the Netherlands this cyclical episode is likely to be relatively mild, in part because of the absence of many of the imbalances that typically characterise the end of a period of expansion," the OECD says in its biannual report on the country.

However, it cautions that its predictions of a muted downturn were based on projections made in late February and that the German economy has deteriorated further since then. It warns that Dutch growth rates may have to be revised downwards to take this into account.

The OECD cites a number of strengths in the Dutch economy. Inflation, which increased to 4.1 per cent in 1991, is already falling and is significantly below that of Germany. The current account surplus is healthy and the guilder strong, a factor that has enabled the Dutch central bank to trim interest rates independently of the German Bundesbank several times in the past six months without affecting the currency's firmness.

An important weak spot in the economy is the labour market.

Although "narrow" unemployment is about 6 per cent and low by international standards, there are nearly 1m people receiving disability benefit out of a population of only 15m, suggesting a large degree of "hidden unemployment".

The Paris-based organisation believes the Dutch government should concentrate on tightening the disability scheme and on correcting structural imbalances in the field of competition, in particular, where the Netherlands has traditionally scored poorly compared with the rest of the OECD.

It notes that the Netherlands is already starting to change its policy on cartels and price-fixing, and urges swifter introduction of market forces in the public sector. Deregulation and privatisation should be considered in utilities, health care and public transport.

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Engineering and steel stoppages in protest at wages in east

IG Metall begins strike

By Judy Dempsey in Berlin

IG METALL, Germany's powerful engineering union, will today step up its strike action in eastern Germany unless the employers reinstate a cancelled contract aimed at equalising eastern and western wages by next year.

The strike, which started yesterday and is the first officially held in eastern Germany since 1933, affected five steel plants in Berlin-Brandenburg and 19 metal and engineering sectors in the heavy-industry state of Saxony, as well as the state's four steel plants. In all, over 14,000 workers came out in support of IG Metall, but with less enthusiasm than expected by the union which is dominated by westerners in eastern Germany.

Mr Franz Steinkühler, president of IG Metall, told workers in Dresden: "We didn't want to strike. We were forced into it by the employers. But we will strike as long as is necessary and we will win."

Last night, Mr Kurt Biedenkopf, prime minister of Saxony, tried to mediate between the union and employers, but Mr Steinkühler said he did not expect any immediate results from the meeting. Instead, he warned that the five eastern German states would be engulfed in an indefinite strike unless the employers returned to the negotiating table and gave the metal and engineering sectors a 26 per cent pay increase this year, and the steel sector a 21 per cent rise.

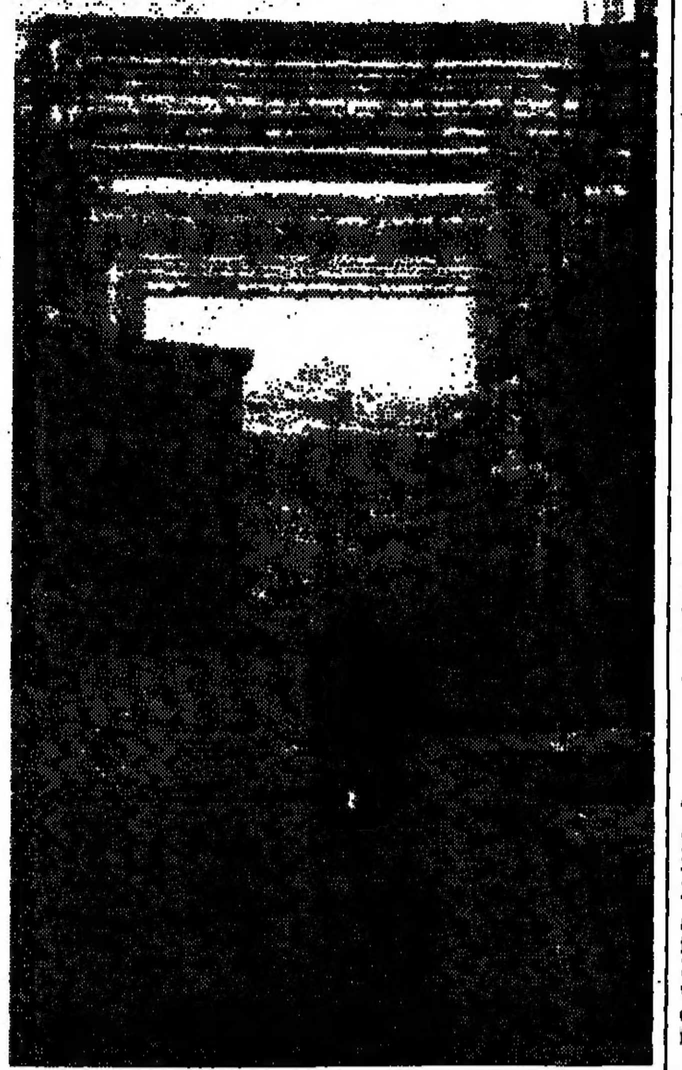
These claims were part of the original contract, signed between IG Metall and the employers and eastern German managers in March 1991. But the collapse of the east European and Soviet markets, combined with the recession in western Germany, forced the employers to cancel the contract. They have since recommended pay increases of around 9 per cent.

Both Gesamtmetall, the metal and engineering employers' association, and Arbeitgeberverband Stahl, the steel employers' association, yesterday said they would not reinstate the contract. "We simply cannot afford it," steel employers said, adding that much of the sector was already heavily subsidised and saddled with large debts.

IG Metall has responded by saying eastern Germany should not be turned into a low-wage economy, even if that might help make the region competitive in the long term.

IG Metall's strategy is now aimed at increasing day by day the number of plants which will be affected by strikes. Over 50 enterprises have been selected in the metal and engineering sectors in Mecklenburg-West Pomerania and Saxony and steel plants in the five states. Metal and engineering plants in the remaining three states of Saxony-Anhalt, Thuringia and Berlin-Brandenburg will be balloted if a compromise cannot be found over the next week or so.

Germany's GDP will fall 1.5 per cent this year and unemployment will rise to 3.5m people, according to the country's five leading economic institutes in a report due out today, writes Ariane Genillard. Unemployment in the west would rise by a further half million to 2.3m and in the east by 80,000 to 1.25m.



A strikebreaker pedals through the Hennigsdorf steelworks after Brandenburg steelworkers stopped work yesterday

Bank of Italy chief may be nominated

A NEW Bank of Italy governor could be nominated today after a special meeting of the central bank's board of directors, Haig Simonian writes from Milan.

The extraordinary session of the 13-member board follows last week's nomination of Mr Carlo Azeglio Ciampi, governor for the past 14 years, as Italy's new prime minister.

The three most widely tipped candidates are all internal: Mr Lamberto Dini, the bank's director general, and its two deputy directors, Mr Antonio Fazio and Mr Tommaso Padoa Schioppa.

The governorship is among the most coveted in the Italian public service but, in spite of the bank's independence from the political system, its advice has not always been heeded by governments in power.

The nomination to the governorship, which is a lifetime appointment, will have to be approved by the cabinet and the president before becoming effective.

Franco-Dutch LCD venture

The European Commission has approved a consumer electronics joint venture – Flat Panel Display, comprising Philips of the Netherlands and Thomson and Sagem of France – which it believes will be able to challenge Japanese dominance of the market for liquid-crystal displays, Andrew Hill writes from Brussels.

LCDs are widely used in small portable televisions and lap-top computers.

Danes try to allay fears over Maastricht treaty

By Lionel Barber in Brussels

THE DANISH government and the European Commission yesterday moved quickly to dampen controversy caused by a leaked note by a senior EC lawyer saying Denmark's exemptions from the Maastricht treaty are probably unenforceable.

Mr Niels Helveg Petersen, Danish foreign minister, insisted that the treaty opt-outs are binding in international law. A senior EC official declared that the leaked private opinion by Mr Donald Allen, a British lawyer at the European Commission, was a "non-story".

Weekend publication of the note just two weeks before the second Danish referendum on the Maastricht treaty on May 18 is an embarrassment for the Yes campaigners. Part of their appeal rests on their contention that Denmark won new, legally binding treaty exemptions on monetary union, defence policy and immigration at the EC summit in Edinburgh last December.

In practice, the issue is less clear-cut. Danish opt-outs are more a clever piece of Brussels drafting which spells out previously agreed exemptions but does not amend the substance of the treaty. This would have required re-ratification of Maastricht, an unacceptable risk for member states.

Mr Allen, 63, sent a private note siding with the opinion of three British legal experts and noted Euro-sceptics who attacked the legal status of Denmark's opt-outs. But after the contents of the note appeared in the British press last weekend, Mr Allen beat a hasty retreat.

In a statement issued in Brussels yesterday, Mr Allen said: "My comments given in an informal way as a matter of courtesy referred only to the professional reputation of one of the authors and the technical quality of the presentation of the legal opinion referred to in the articles, but not to its merit and conclusions.

"On the contrary, I fully share the Commission's view which indeed I have never doubted, that the decision agreed in Edinburgh by the heads of state and government, in order to answer the Danish request, is binding in international law. I regard the use of my name in such a serious matter as a blatant act of bad faith."

Mr Allen was said to be on holiday yesterday and unavailable. Well before the weekend controversy, he was due to take early retirement next year after 20 years' service with the Commission, officials said.

France 'nearing recession'

By Alice Rawsthorn in Paris

FRANCE is set to slide into recession this year with the economy declining by 0.1 per cent, according to the latest government forecast, because of further cuts in industrial investment and a fall in export growth.

The Commission des Comptes, the public accounts committee, suggests gross domestic product in 1993 will follow the downward trend begun in the final quarter of 1992, falling in real terms by an average of 0.1 per cent.

This decline will reflect slightly slower growth in consumer spending of 1.1 per cent, against 1.4 per cent in 1992, and a continued fall in industrial investment of 3.7 per cent, compared with 5.6 per cent the previous year. Import growth is expected to slow from 3.8 per cent in 1992 to 2.7 per cent this year, but the commission also forecasts a sharp reduction in export growth from 7 to 1.7 per cent.

The sluggish economy could complicate attempts by the new centre-right government to reduce the general budget deficit, which is expected to reach FFr330bn ($60.9bn) this year.

The government yesterday continued its cost-cutting efforts by announcing that there would be no new increase in public sector salaries for 1993.

Mr André Rossinot, public services minister, said the government would stick to the 6 per cent increase in the total public sector salary bill agreed by the old Socialist administration but there would be no further increase for France's 2.6m civil servants.

The pay freeze forms part of the efforts of Mr Edouard Balladur, prime minister, to cut government expenditure. He has already asked his ministers to find FFr20bn of spending cuts and to accept a 10 per cent reduction in their own pay.

Brussels worried over steel subsidy moves

By Andrew Hill in Brussels and Haig Simonian in Milan

THE EUROPEAN Commission is increasingly concerned that the EC-wide plan to support the ailing west European steel industry could be derailed by member states' attempts to subsidise their national producers.

EC industry ministers meet today in Brussels to discuss the progress of the plan so far, in the wake of the Commission's rejection last week of German proposals to restructure Ekostahl, the east German producer, and scepticism about a new rationalisation plan from Ilva, the loss-making Italian steelmaker.

The Commission has not yet submitted formal proposals to the ministers on any of the most controversial state subsidy cases, but it is pressing for a special meeting in July to consider German, Italian and Spanish steel aid plans together.

On Friday, Mr Karel Van Miert, EC competition commissioner, told Mr Michele Tedeschi, the managing director of Iri, the Italian state holding company which controls Ilva, that the Commission needed to have a clearer view of the subsidies involved in the new plan; and the reduction of capacity it might involve.

Iri claims the restructuring plan involves no state aid, and is based on the behaviour of a private sector shareholder. Moreover, as the plants it plans to retain are already efficient and competitive, they should not be subject to production cuts.

Commission officials fear this may herald lengthy negotiations which could jeopardise decisions on the other state aid cases, and the EC industry's own restructuring plan.

The Commission fears that plans for EC-wide restructuring aid could be derailed

"It's out of the question to come to a decision on the Spanish plan, or on Ekostahl, if at the same time we drag our feet on Ilva," said one senior official.

The Ilva restructuring plan involves creating a new company, Nuova Siderurgica, specialising in flat laminates.

Nuova Siderurgica, with assets of L2,770bn ($1.9bn) and net shareholders' funds of L1,900bn, would be profitable and have a "balanced" financial position, according to Iri.

Net borrowing at the group would be just a fraction of Ilva's L7,583bn net debts at the end of last year.

Other Ilva operations and shareholdings will be sold, either directly, or via Iri, to raise L2,700bn.

Iri would also take on some Ilva debt as part of the liquidation of the remaining operations. A precise figure has not been revealed, but has been estimated at about L2,500bn.

The proceeds of asset sales would be used to lower Ilva's debts.

The group, which is Europe's fourth biggest steelmaker, reported a net group loss of L2,309bn last year on sales of L10,087bn.

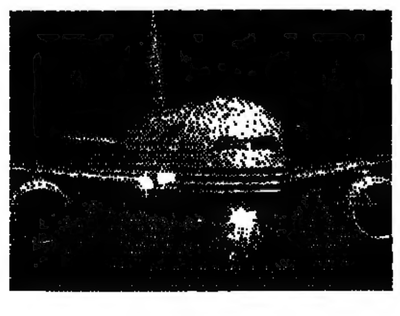
Iri will be sole owner of the new company at the outset, but intends gradually to lower its stake below 50 per cent, perhaps through joint ventures with domestic or foreign steelmakers.

It is hard to see how the new company will raise L2,700bn through asset sales given the present European steel crisis.

Much of the cash may come from "selling" assets to Iri, which will then oversee their eventual disposal.

The chances of bringing private shareholders into Nuova Siderurgica also look slim in the short term.

EC set to reclaim Klöckner-Werke loan, Page 17



SIEMENS

Information for Siemens Shareholders

Economy slows growth

Domestic demand continues to weaken

As anticipated, the pace of business at Siemens in the first six months of fiscal 1993 did not begin to revive. The continuing economic decline of the last few months was reflected in decreasing domestic orders, and international business also failed to rebound. The 3% growth in sales confirms the company's modest expectations for the full year. Income after taxes, up 2%, rose at a somewhat slower rate.

Orders

Siemens booked orders worth DM40.9 (1992: DM42.6) billion in the period under review, a 4% year-to-year decline. While domestic orders dropped 7% to DM18.7 (1992: DM20.0) billion, a sharper decrease than in the first quarter, international orders eased off by a comparatively low 2% to DM22.2 (1992: DM22.6) billion. By contrast, international orders were down 10% in the first quarter. The Semiconductors, Passive Components and Electron Tubes, and Electromechanical Components operating units showed above-average growth rates, profiting from increasing demand for components in the world market. Orders remained strong in the Transportation Systems and Automotive Systems Groups. The Medical Engineering Group is being affected by restrained investment activities in the health sector worldwide. Figures for the Public Communication Networks and Power Generation (KWU) Groups still lie below last year's levels.

DM billion	1/10/91 to 31/3/92	1/10/92 to 31/3/93	Change
Orders	42.6	40.9	−4%
German business	20.0	18.7	−7%
International business	22.6	22.2	−2%

DM billion	1/10/91 to 31/3/92	1/10/92 to 31/3/93	Change
Sales	35.8	37.0	+3%
German business	16.8	17.2	+2%
International business	19.0	19.8	+5%

Sales

Worldwide sales rose 3% to DM37.0 (1992: DM35.8) billion, with international business outperforming domestic sales. International sales rose 5% to DM19.8 (1992: DM19.0) billion, and domestic sales edged up 2% to DM17.2 (1992: DM16.8) billion. The Power Generation (KWU) and Transportation Systems Groups, involved in infrastructure business, were the primary contributors to this growth.

'000s	30/9/92	31/3/93	Change
Employees	413	407	−2%
German operations	253	250	−1%
International operations	160	157	−2%

Employees

Since the close of the last fiscal year on September 30, 1992, the number of employees has declined from 413,000 to 407,000. This 2% reduction in the work force affected domestic and international operations alike, as well as virtually all operating units. Personnel costs climbed 6% to DM17.4 (1992: DM16.4) billion.

DM billion	1/10/91 to 31/3/92	1/10/92 to 31/3/93	Change
Personnel costs	16.4	17.4	+6%

Capital spending and net income

Capital spending in the first half year came to DM3.5 (1992: DM4.7) billion. This total includes investments for the acquisition of the North American lighting division of GTE Corporation, Stamford, Connecticut; the new business is known as Osram Sylvania, Inc., Danvers, Massachusetts.
Net income after taxes rose 2% to DM877 (1992: DM859) million.

	1/10/91 to 31/3/92	1/10/92 to 31/3/93	Change
Capital expenditure and investments DM billion	4.7	3.5	−25%
Net income after taxes DM million	859	877	+2%

unaudited accounts

Siemens AG, Berlin and Munich

Sri Lankans seek to calm economic fears

By Stefan Wagstyl in Colombo

SRI LANKA, which has been thrown into political crisis by the assassination at the weekend of President Ranasinghe Premadasa, will make no immediate changes in economic policy-making, a senior official said yesterday.

"There will be no change in the economic programme," said the official, a close adviser to the late Mr Premadasa, who was killed by a suicide bomber who plunged into a May Day parade.

He said the ruling UNP party had sufficient votes in parliament to ensure the election of its presidential candidate, Mr D B Wijetunge, the prime minister and acting president.

The government was yesterday trying to ensure calm in the country, especially in the capital, Colombo, where Mr Premadasa's public funeral on Thursday is expected to attract large crowds. So far, no violent incidents have been reported and a curfew imposed after the killing on Saturday was lifted within a day.

Besides the president, about 20 other people died in the blast in Colombo. It was the second political murder in just over a week, following the shooting of a senior opposition leader.

Businessmen said yesterday the assassinations could create uncertainty about the country's economic future. Shares fell by about 1 per cent on the Colombo Stock Exchange in busy but calm trading.

Mr Stanley Jayawardena, chairman of the Securities and Exchange Commission, the securities watchdog, and a leading businessman, said: "The uncertainty could have an effect on business. Foreign investors who are not too far down the track with an investment may decide to wait."

Mr Premadasa was widely praised in the business community for his economic policies, including one of Asia's fastest privatisation programmes and most extensive deregulation campaigns.

Grieving Sri Lankan women and Buddhist monks leave Ranasinghe Premadasa's wake yesterday

Murders set to bring passions to the boil

Stefan Wagstyl and Mervyn de Silva report from Colombo

IN HIS last speech before being killed by a terrorist bomb at the weekend, the late President Ranasinghe Premadasa of Sri Lanka issued a grim challenge to his political enemies: "Assassinate me by whatever means but please do not assassinate my character."

Such is the violent nature of Sri Lankan politics that the president's fatal wish was fulfilled during a May Day parade last Saturday. A tough street-fighting populist, who preferred village life to mixing with the elite of Colombo, Mr Premadasa died, as he had lived, milling with a crowd.

The president was assassinated by a suicide bomber just over a week after one of his main political rivals, Mr Lalith Athulathmudali, was shot dead at an election rally.

The prime suspects for both killings are the Tamil Tigers, the common name for the LTTE separatist movement which has been fighting for more than a decade for a homeland in northern Sri Lanka for the minority Tamil community, in defiance of the majority Singhalese.

Although the LTTE has denied responsibility, police say the evidence seems to point to the Tigers.

Whether or not the Tigers were responsible, the assassinations raise serious questions about Sri Lanka's future political stability. If violence spreads it could undermine the hard-won economic success that has made Sri Lanka's living standards the envy of other developing nations.

A crucial test will be how Sri Lankans behave on Thursday at the president's public funeral in Colombo and at provincial assembly elections due later this month.

As Mr Gamini Dissanayake, a close associate of Mr Athulathmudali, says: "The assassination of both the president and Mr Athulathmudali add up to a national crisis. It sends entirely the wrong signals to the world."

Much will depend on how Sri Lanka's politicians react. Mr Premadasa was an authoritarian ruler whose departure leaves a vacuum at the top of the ruling UNP party.

He came from a poor background and was regarded as an outsider by the political elite, such as Mr Athulathmudali, a former president of the Oxford Union. But the UNP could not afford to do without Mr Premadasa's rapport with the island's rural masses.

Mr Premadasa became president in 1988 at a low point in the UNP's fortunes, just after the signing of an unpopular agreement with India which let India put 60,000 troops into Sri Lanka to try to tame the Tamil Tigers. Many Singhalese showed their resentment by supporting an armed nationalist insurgency. Mr Premadasa was judged by UNP chiefs to be the only man to win back the disaffected Singhalese.

He largely succeeded, primarily by securing departure of the Indian troops, though also with some tough repressive measures against the insurgents. He also gave strong impetus to a long-running economic reform programme.

He pushed ahead with privatisation, cut import tariffs and overhauled the financial markets in a bold effort to open Sri Lanka to domestic competition and foreign investment.

The economy grew at an average annual rate of 5 per cent in the three years to 1992 – a creditable achievement given the cost of the war against the LTTE. Foreign investment soared from under \$50m (£32.4m) a year in the mid-1980s to around \$200m last year.

However, the price of success was a revolt in the UNP, led by Mr Athulathmudali, who led a breakaway group which tried to impeach Mr Premadasa. They failed last year, resigned their seats to create a new party, the DUNF, which claimed to be the true inheritor of UNP ideals.

The split left the way open for a revival in the fortunes of an alliance of socialist opposition parties headed by the SLFP, led by the veteran former prime minister, Mrs Sirima Bandaranaike, matriarch of a leading political family whose own husband had also been murdered when prime minister (in 1959).

A month ago, Mrs Bandaranaike was poised to do well in the forthcoming provincial election. Then, Mr Athulathmudali's death created sympathy for the DUNF. Now, the ruling UNP hopes for a boost.

In Colombo yesterday, white flags, signs of mourning for the president, fluttered around many buildings; but earlier, fire-crackers had been set off in some districts to celebrate his departure.

A senior government official said yesterday the UNP had rallied around Mr D B Wijetunga, the acting president. He said Mr Wijetunga would now have little difficulty securing a parliamentary majority allowing him to stay in office until the end of Mr Premadasa's term in December, 1994.

Whether or not they carried out the killings, the LTTE could profit from the confusion. A caretaker government is unlikely to give as strong leadership to the fight against the Tamils as Mr Premadasa. Also, Mr Premadasa advocated a two-prong policy of armed action coupled with tentative efforts at political dialogue.

The senior official said the new government may now face a backlash from Singhalese demanding revenge against the Tigers. Such demand could play into the LTTE's hands by reviving international concern about the Tamils – not least from India.

Khmer Rouge attacks town

KHMER ROUGE guerrillas firing automatic rifles and rocket-propelled grenades attacked a provincial capital in northwest Cambodia yesterday, AP reports from Phnom Penh.

Guerrillas were firing on the airport runway at Siem Reap, said UN officials. The Kampuchea Airlines commercial flight which many foreign tourists take from Phnom Penh to visit the famed temples of Angkor just outside Siem Reap was cancelled.

UN military observers in Siem Reap, 225 km northwest of Phnom Penh, had long been preparing for an attack, building bunkers and installing razor wire around their compounds.

A UN interpreter said the Khmer Rouge attacked at 5 a m and fighting was continuing at 9 a m. The Bangladeshi infantry battalion, which is posted there to protect UN workers, did not answer their phone. The Khmer Rouge has boycotted the UN operation to guide the country through democratic elections this month.

Peru wants to renegotiate debt

By Sally Bowen in Lima

PERU'S economic team, led by Mr Jorge Camet, finance minister, is in Paris today to renegotiate the country's \$8bn (£5.1bn) debt with its Paris Club group of creditor countries.

The Peruvian proposal seeks to reduce 1993-95 debt servicing from about \$1bn (equivalent to one-third of annual export earnings) to between \$300m and \$350m a year. "It's a pragmatic proposal aimed at reducing servicing in line with Peru's ability to pay," said Mr Eduardo Valdivia, Peru's chief debt adviser.

Talks with the 17 creditor governments are likely to be tough. But since the IMF has already approved the current three-year economic programme, Peru is expected to get most if not all the conditions it seeks.

Ultimately, however, the only realistic solution to Peru's debt burden appears to be wide-scale forgiveness. Peru proposes to tackle that question with Paris in three years' time.

Menem unveils 43% growth plan

By John Barham in Buenos Aires

ARGENTINA'S President Carlos Menem unveiled at the weekend a medium-term strategy which he promised would generate economic growth of 43 per cent and create 1m jobs in his last two years in office. He wants to bring annual inflation down to 4 per cent by 1995, when his term ends.

Opening Congress on Saturday, Mr Menem said he would further open the economy to foreign trade and reduce taxes to help lower companies' operating costs.

The thrust of his strategy is to force companies to become more competitive and invest more. Alarm is growing over Argentina's increasing reliance on foreign capital and its current account deficit, forecast at \$8bn-\$11bn this year against an estimated \$8bn in 1992.

Mr Menem announced gradual cuts in corporate taxes and said companies would be able to buy foreign capital goods and trucks without paying any import duties.

Local capital goods manufacturers, though, will be entitled to a subsidy of 15 per cent of their sales to offset the impact of foreign competition.

> The strategy is to force companies to become more competitive

Mr Menem also said government banks would increase lending to small and medium-sized farms and companies.

The government's Banco de la Nacion Argentina will lend these sectors \$4.5bn this year, rising to \$6.2bn in 1995, at below market interest rates.

Both Mr Menem and Mr Domingo Cavallo, his economy minister, promised to forge ahead with plans to introduce private pension funds, which will broaden Argentina's capital markets and provide companies with long term finance. They also announced plans to change Argentina's rigid labour laws. Previous attempts to reform the labour market have failed in the face of resistance from trade unions.

Mr Cavallo's projections forecast persistent, though falling, current account deficits until 1999. The minister, however, said he did not view this as a negative sign.

"This is a token of foreigners' confidence in Argentina. We will have current account deficits and trade balance deficits as long as we continue using external savings to finance investments," he said.

Bad news for Clinton in Texas primary

By Jurek Martin in Washington

REPUBLICAN party prospects of picking up an additional US senator were enhanced by results of the weekend primary for the seat vacated by Mr Lloyd Bentsen, now treasury secretary.

The all-party primary was narrowly won by Mrs Kay Bailey Hutchison, the Republican state treasurer, who beat Mr Bob Krueger, the interim Democratic incumbent, by 593,479 votes to 592,982. Both won 29 per cent of the vote and face each other in a run-off a month from now.

Democratic concern stems from the fact that the Republican share of the primary vote – Mrs Hutchison's plus that won by the two Republican congressmen who finished third and fourth – comfortably exceeded 50 per cent. Mr Richard Fisher, a nominal Democrat whose views and style resemble those of Mr Ross Perot, last year's independent presidential candidate, scored just 8 per cent, most of which may also be added to the Republican camp in the run-off.

This is potentially bad news for President Bill Clinton and for the Democrats, whose 57-43 lead in the Senate has proved insufficient to break filibusters. A further test comes today in Wisconsin in the election to fill the House seat of Mr Les Aspin, now defence secretary.

California tax system dispute worries Europe

By Andrew Hill in Brussels

THE EUROPEAN Commission said yesterday it was worried about recent developments in a 10-year-old dispute over California's system for taxing foreign companies.

Mrs Christiane Scrivener, EC tax commissioner, said that the US administration's decision not to support Barclays Bank, the British group, in its test case against the Californian system had given rise to "considerable concern" in various member states, notably the UK.

Under its unitary taxation system, California calculates corporate tax not on profits made in the state itself, but on a proportion of a company's worldwide earnings.

Barclays, which has been fighting the system for 10 years, is seeking in the US Supreme Court a reversal of a California Supreme Court decision which went against it.

Mrs Scrivener said that she was "concerned about the impact which an adverse decision in the US Supreme Court could have on Community-based businesses operating in the US." However, she did not indicate whether the Commission would try to retaliate if Barclays was defeated.

Michael Holman reports on a prizewinning dairy venture in Mauritania

Making money milking camels

Mrs Abeiderrahmane and camel: eat them, ride them, wear them, milk them

THEY are proud and intelligent, good-natured, with beautiful eyes, and communicate in a language of murmurs and grunts.

What is more, continues Nancy Abeiderrahmane, warming to her theme, you can eat them, ride them, wear them, sleep on and under them: their hair is woven into tents, their wool is turned into carpets, their treated skin becomes leather. You can also milk them.

Camels are close to Mrs Abeiderrahmane's heart.

British born and a citizen of Mauritania by marriage, Mrs Abeiderrahmane runs a pioneering camel milk dairy – Laitière de Mauritanie – in the country's capital, Nouakchott. It has earned her one of the prestigious Rolex "awards for enterprise", presented every three years by the Swiss watchmaking company.

In Geneva for the ceremony, Mrs Abeiderrahmane recounted the hurdles she overcame when establishing the first dairy in Africa to pasteurise camels' milk on a commercial scale.

And thanks to the discovery of a new enzyme, it is the first in the world to produce camel's cheese, soon to be exported to France.

The benefits for Mauritania, a mainly desert country in northwest Africa, could prove considerable, she says. They include savings in foreign exchange spent on imported dairy products, improved nutritional standards, curbing the drift of labour from countryside to city, and combating desertification.

And what serves Mauritania could well apply to a swathe of countries across Africa's arid Sahel zone, through Sudan and Somalia on the east coast, as well as northern Kenya.

Mrs Abeiderrahmane, 45, studied as an industrial engineer in Barcelona, Spain, and has lived in Nouakchott since 1970. But it was not until 1987 that she found time from the demands of rearing four children to put her technical expertise to practical effect.

By then Nouakchott's population had grown dramatically. From around 500 at independence in 1960 it had risen to nearly 500,000, almost 25 per cent of the nomadic population of a country almost twice the size of France.

A way of life had ended. As nomads, they got their milk from their animals – 750,000 camels and 1.25m cows. As city dwellers, they came to rely on imported products, over 50,000 tons a year of sterilised or powdered milk, often of poor quality and a drain on Mauretania's scarce foreign exchange.

Mrs Abeiderrahmane decided to process locally produced camel milk, sold raw, in buckets. First she had to resolve technical difficulties that arose, then raise the money, and finally overcome consumer resistance to the new product.

For two tough years – "I was manager, secretary, accountant, foreman, and driver" – it was touch and go.

The camel herds were scattered, their yields low and collection expensive, and prejudices had to be overcome. Many Mauritanians believed imported European milk was somehow better – though camels' milk is higher in vitamin C, potassium and iron, and lower in fat.

Today the milk, packaged in cartons under the brand name Tiviski, has sufficient sales to put the balance sheet into credit for the first time. Meanwhile, income from regular collection of their milk makes city life less appealing for the network of nomadic herders.

There's more to be learnt from Mrs Abeiderrahmane. The female camel requires up to four times less fodder to produce a litre of milk than a cow; and in a drought the camel, unlike the cow, does not dry up.

The camel is also environmentally friendly: its wide-splayed hooves do not damage the fragile surface of arid or semi-arid terrains of the Sahel in the way that the sharp surfaces of cows' hooves do.

It's the stuff of Mrs Abeiderrahmane's vision. For a thousand years camels plied the great trade routes between Africa and Asia. The ship of the desert will adapt to the needs of a different age – as an environmentally friendly, fodder-efficient, foreign exchange-saving, low-fat dairy of the dunes.

Kyrgyzstan's parliament opts to sever links with rouble

By Leyla Boulton in Moscow

KYRGYZSTAN yesterday voted to introduce its own currency following pressure by Russia on former Soviet republics to drop the rouble as their currency unless they adopt common conditions for its use.

One of the poorest republics to emerge from the ruins of the Soviet Union and led by the ultra-reformist President Askar Akayev, Kyrgyzstan has dreams of emulating Switzerland and earning its living from services and entrepreneurship. It is the first of the former Soviet Union's central Asian republics, traditionally among the most dependent on Moscow, to take a step recommended by most foreign advisers. These include the IMF, which is offering republics balance of payments support in return for economic reform.

Mr Akayev, who is said to have taken delivery of banknotes printed in England, yesterday overcome parliamentary opposition to the new currency, called the som.

The precedents are frightening. Only the three Baltic republics, traditionally the most independent of former Soviet republics, have successfully introduced their own currencies, accompanied by harsh economic adjustments. Ukraine, the second most populous republic with heavy industry to support, has seen its quasi-currency, the coupon, plunge even against the weak rouble.

Mr Akayev said yesterday that the new currency would be backed by \$90m, part of aid promised by the west.

NEWS: INTERNATIONAL

IMF to oversee currency trends

By Peter Norman, Economics Editor, in Washington

THE International Monetary Fund is to step up its supervision of the economies of industrial nations in an attempt to head off currency crises such as that which rocked the European Monetary System last September.

The plan, which was endorsed by the IMF's policy making Interim Committee at the end of last week, could mean greater IMF intervention to influence the economic policies of countries such as Japan which are running large balance of payments surpluses with the rest of the world. Until now the IMF's main preoccupation has been with countries with debt problems or in balance of payments difficulties.

In his speech to the Interim Committee, Mr Lloyd Bentsen, US treasury secretary, hinted that surplus countries could find themselves under pressure to change policy. "Policies that are sound under normal circumstances may have a destabilising effect on markets in particular conditions," he said. "The Fund must have the means to identify and call attention to such risks."

Solchaga: note of caution over IMF's capacity to achieve stability

The Interim Committee gave the IMF a mandate to strengthen its surveillance over the exchange rate and macro-economic policies of its members. As part of this task it has also been asked to focus on regional developments.

Mr Theo Waigel, German finance minister, told the Interim Committee that it would be the IMF's job to make sure that the existence of "regional blocs" did not undermine the world's open, multilateral economic system. According to one official, this aspect of surveillance could result in the IMF being asked to pass judgment on incipient tensions in the EMS.

Mr Carlos Solchaga, Spanish finance minister and Interim Committee chairman, said it was the first time since the end of the Bretton Woods fixed exchange rate system in the early 1970s that the IMF had been asked to try to reduce exchange rate volatility.

He said that the fact that all the IMF's members – from industrialised to developing and former communist countries – were asking the Fund to play a more active role in monitoring and curbing exchange rate instability should not be underestimated.

Although final details have to be fleshed out, it will be the IMF's task to study exchange rate developments more closely and assess whether they are consistent with member countries' macro-economic policies and economic fundamentals.

One precondition of success, mentioned by Mr Bentsen, will be the development of comparable data on member states' policies "so we know what we are looking at".

According to Mr Michel Camdessus, the IMF's managing director, IMF staffers will try to identify at the earliest possible opportunity whether tensions are developing in economies that could trigger currency disturbances. The IMF would then suggest measures that countries should take to try to avoid a repetition of crises such as last autumn's upheaval in the European exchange rate mechanism.

However, Mr Solchaga sounded a note of caution about the IMF's capacity to achieve currency stability. Surveillance was a necessary but not sufficient requirement for stable exchange rates, he said.

In an apparent reference to France, he pointed out that some countries with "outstanding" economic credentials had been buffeted by currency speculation in last year's crisis.

The monetary talks in Washington wound up on Saturday with a discussion in the joint IMF-World Bank development committee of how best to encourage private capital flows to developing nations.

The committee decided that host countries bore the main responsibility for creating an environment attractive to foreign investors. But industrialised countries should remove unnecessary institutional and regulatory barriers to the supply of investment funds.

See: Feature; Economics Notebook

Asian bank caught in capital squeeze

By Victor Mallet in Manila

A YEAR ago in Hong Kong, Mr Kimimasa Tarumizu, president of the Asian Development Bank, called on member countries to double the bank's capital as an "urgent priority" to some $48bn (£31bn). He pleaded with members, particularly the recalcitrant US, to agree to the capital increase by the end of 1992.

His pleas went unheeded. This year he will be making the same request with even greater fervour at the ADB annual meeting starting in Manila today.

If the ADB's 52 members fail to reach agreement by the end of this year – a conclusion at the meeting this week is considered highly unlikely – new lending could be sharply reduced some time in 1994 and limited to the amount of loan repayments trickling back to the ADB.

The bank borrows money on international markets against its subscribed capital of $23bn to finance projects in the poorer member countries, and would find it easy to borrow more. But its own rules do not allow it to commit itself to lending more than the sum of its subscribed capital and reserves, currently about $27bn; it has outstanding loan commitments of more than $23bn already.

Last year the ADB lent nearly $4bn, excluding soft loans which are administered separately, and faces increased demand for financing from China, India and other borrowing members, not to mention the six Asian republics of the former Soviet Union which are expected to join soon.

"We are now bank to half the world, population-wise, and it also happens that the two largest countries in the world started borrowing from us comparatively recently," said one senior ADB official yesterday. India and China both began borrowing from the ADB in the second half of the 1980s and together account for 28 per cent of total loans. Indonesia has taken another 33 per cent.

One problem facing the ADB is that the previous US administration of Mr George Bush adopted a hard line in negotiations with other ADB shareholders – demanding that the bank make policy changes and lend more to the private sector – while President Clinton's new team is incomplete and has yet to make its views clear on the proposed capital increase for the five years to 1998.

The US and Japan are the ADB's two largest shareholders, with about 16 per cent each, but the actual amount that Washington would have to pay if the subscribed capital was doubled would only be of the order of $200m, spread over the five years.

This is because as little as 3 per cent of the new capital is likely to be paid in. The rest would be "callable" in an emergency, and so far no multilateral financial institution has ever had to use its callable capital. The US administration, however, would be obliged to mention the daunting contingent liability sum when it seeks to appropriate funds through Congress.

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

The table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

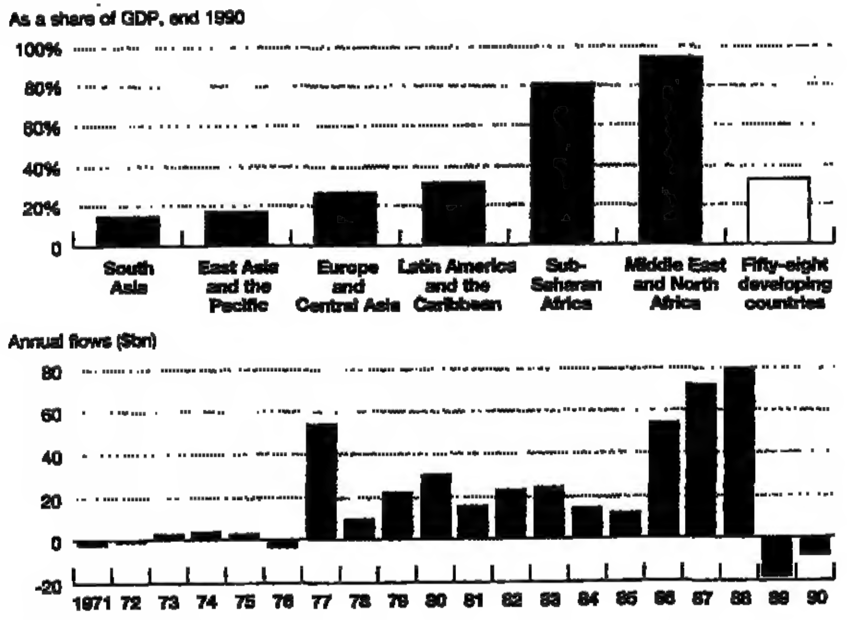
	UNITED STATES					JAPAN				
	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield	Narrow Money (M1)	Broad Money (M2+CDs)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	9.0	8.9	8.00	10.58	n.a.	5.0	8.4	6.62	6.51	n.a.
1986	13.5	8.3	6.49	7.67	3.43	6.9	8.7	5.12	5.35	0.84
1987	11.6	6.5	6.82	8.39	3.12	10.5	10.4	4.15	4.64	0.55
1988	4.3	5.2	7.65	8.84	3.81	8.4	11.2	4.43	4.77	0.54
1989	1.0	3.9	8.99	8.49	3.43	4.1	9.9	5.31	5.22	0.48
1990	3.7	5.3	8.06	8.54	3.80	2.6	11.7	7.62	6.91	0.65
1991	5.9	3.3	5.87	7.85	3.21	5.2	3.6	7.21	6.37	0.75
1992	12.4	2.0	3.75	7.00	2.95	4.5	0.6	4.28	5.25	1.00
2nd qtr.1992	11.7	1.7	3.95	7.37	2.97	5.7	1.2	4.56	5.63	1.04
3rd qtr.1992	12.6	1.6	3.35	6.61	2.96	3.2	–0.0	3.90	5.10	1.06
4th qtr.1992	14.3	1.8	3.55	6.73	2.94	2.0	–0.5	3.67	4.78	1.03
1st qtr.1993	11.8	0.5	3.20	6.26	2.81	1.8	–0.2	3.29	4.34	1.00
May 1992	12.1	1.8	3.88	7.39	2.95	6.9	1.1	4.59	5.66	1.00
June	11.1	1.3	3.82	7.26	3.00	3.2	0.9	4.49	5.55	1.06
July	11.8	1.4	3.44	6.84	2.96	2.9	0.2	4.19	5.26	1.10
August	12.4	1.6	3.37	6.59	2.95	3.7	0.3	3.75	5.03	1.12
September	13.5	1.8	3.24	6.41	2.98	2.9	–0.5	3.74	4.99	0.98
October	14.4	2.0	3.32	6.58	3.02	2.5	–0.6	3.71	4.90	1.04
November	14.4	1.8	3.66	6.86	2.94	1.6	–0.6	3.65	4.76	1.05
December	14.2	1.5	3.67	6.75	2.87	1.9	–0.4	3.64	4.70	1.00
January 1993	13.4	1.0	3.26	6.59	2.87	2.4	–0.3	3.59	4.55	1.03
February	11.5	0.2	3.18	6.26	2.80	2.3	0.1	3.15	4.31	1.01
March	10.7	0.2	3.17	5.97	2.76	0.6	–0.3	3.13	4.19	0.97
April			3.15	5.96	2.81			3.09	4.41	0.85

	GERMANY					FRANCE				
	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	4.3	5.1	5.45	6.94	n.a.	6.2	7.4	10.03	11.74	n.a.
1986	10.0	8.3	4.64	5.90	1.79	6.9	6.6	7.79	8.74	2.65
1987	9.0	7.3	4.03	6.14	2.21	4.1	9.9	8.26	9.46	2.75
1988	9.7	6.4	4.34	6.46	2.61	3.9	8.4	7.94	9.08	3.69
1989	6.3	5.8	7.11	6.94	2.22	8.1	9.6	9.39	8.79	2.88
1990	4.5	4.5	8.49	8.71	2.11	3.6	9.0	10.32	9.92	3.19
1991	5.1	5.6	9.25	8.44	2.38	–4.7	2.7	9.62	9.03	3.58
1992	7.1	8.2	9.52	7.77	2.45	1.4	5.5	10.36	8.57	3.55
2nd qtr.1992	6.4	7.9	9.76	7.98	2.26	–1.8	4.9	10.04	8.66	3.39
3rd qtr.1992	6.6	8.8	9.72	7.88	2.53	–0.2	4.8	10.58	8.90	3.67
4th qtr.1992	10.7	9.6	8.98	7.34	2.67	1.4	5.5	10.77	8.26	3.72
1st qtr.1993	9.6	7.5	8.31	6.87	2.42			11.83	7.66	3.38
May 1992	5.8	7.8	9.79	7.98	2.28	1.7	5.7	9.96	8.58	3.33
June	6.6	8.2	9.75	7.97	2.27	–1.8	4.9	10.11	8.73	3.47
July	5.5	8.4	9.78	8.01	2.37	–0.5	5.1	10.23	8.90	3.69
August	6.1	8.7	9.88	7.99	2.60	–1.2	5.0	10.39	9.06	3.71
September	8.3	9.3	9.50	7.65	2.82	–0.2	4.8	11.12	8.75	3.61
October	8.5	10.4	8.95	7.38	2.72	1.8	6.1	11.12	8.43	3.83
November	11.2	9.7	8.94	7.38	2.86	–0.0	5.8	9.77	8.14	3.70
December	12.5	8.7	9.03	7.29	2.64	1.4	5.5	11.35	8.20	3.64
January 1993	9.5	7.7	8.60	7.10	2.58	0.8	5.2	12.16	7.93	3.58
February	9.2	7.3	8.39	6.94	2.43	0.9	5.2	12.12	7.76	3.40
March	10.0	7.6	7.98	6.59	2.27			11.27	7.33	3.19
April			7.93	6.62	2.22			9.11	7.14	3.25

	ITALY					UNITED KINGDOM				
	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield	Narrow Money (M0)	Broad Money (M4)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	13.2	13.5	14.34	13.71	n.a.	4.7	13.2	12.32	11.03	n.a.
1986	10.5	8.2	13.25	11.47	1.41	4.0	15.3	11.02	9.97	4.35
1987	10.4	9.6	11.32	10.58	1.94	4.7	14.6	9.77	9.52	3.60
1988	7.8	6.9	11.24	10.54	2.71	6.8	17.0	10.41	9.69	4.48
1989	7.1	8.2	12.41	11.61	2.48	5.9	17.5	13.96	10.30	4.36
1990	9.3	9.1	11.98	11.87	2.84	5.3	16.0	14.82	11.53	5.07
1991	7.3	8.0	11.83	13.20	3.45	2.4	8.2	11.58	10.04	4.97
1992	6.9	7.5	13.86	13.29	3.63	2.3	5.2	9.73	9.09	4.91
2nd qtr.1992	9.7	9.3	12.58	12.82	3.43	2.2	5.3	10.28	9.21	4.78
3rd qtr.1992	6.0	6.9	16.14	13.83	4.02	2.4	5.3	10.39	9.21	5.21
4th qtr.1992	3.1	5.9	14.64	13.84	3.66	2.7	4.4	7.68	8.45	4.64
1st qtr.1993	3.1	6.3	11.88	13.13	3.05	4.4	3.4	6.43	7.97	4.35
1992 May	9.4	9.0	12.24	12.60	3.45	2.7	5.1	10.13	9.06	4.61
June	10.0	9.6	13.23	13.14	3.34	1.5	5.3	10.03	9.15	4.82
July	7.5	8.0	15.36	13.65	3.78	2.6	5.6	10.21	9.08	5.15
August	5.4	6.5	15.27	13.71	3.94	2.5	5.4	10.43	9.37	5.33
September	5.1	6.1	17.82	14.14	4.35	2.2	4.8	10.54	9.18	5.14
October	5.7	7.3	15.53	14.36	3.95	2.4	5.2	8.49	8.69	4.83
November	2.8	5.9	14.53	13.48	3.48	3.0	4.3	7.32	8.27	4.60
December	1.1	4.5	13.90	13.66	3.61	2.8	3.7	7.24	8.38	4.49
1993 January	2.2	5.5	12.73	13.46	3.26	3.9	3.2	7.04	8.33	4.46
February	3.1	6.5	11.51	13.03	3.01	4.5	3.3	6.23	7.97	4.36
March	4.1	7.1	11.41	12.92	2.86	4.9	3.6	6.04	7.65	4.24
April			11.49	13.14	2.75			6.01	7.80	4.08

Monetary growth rates: show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to the seasonally adjusted series except for Japan and Italy. German monetary statistics now form a continuous pan-German series. Monetary data supplied by Datastream and WEFA from central bank sources. Interest rates: short-term, period averages of US – 90-day commercial paper, Japan – 3-month certificates of deposit, Germany – 3-month Fibor, France – 3-month Pibor, Italy – 3-month Euro-lira, UK – 3-month Libor; long-term, period average yields on 10-year benchmark government bonds. Interest rates supplied by Datastream. Equity market yield: period averages of the gross dividend yield on the relevant FT-A world index.

Capital flight from developing countries



Source: World Bank

How to encourage flight capital to go back home

WHAT IS the best way to bring capital into a country? The answer, it seems, is "allow it to go out". That is one of the most interesting insights provided by the report on global economic prospects, published earlier this month by the World Bank.* As the Bank remarks, "in some cases the removal of capital outflow restrictions appeared to have the (paradoxical) effect of stimulating a net inflow of capital, presumably by reassuring investors that it would be easy to repatriate their money should they wish to do so."

Such successes are important, not least because capital flight has been vast. Data on illegal capital flows can never be more than estimates, but the figures the Bank comes up with are breathtaking. For Sub-Saharan Africa, for example, it estimates the stock of flight capital at 80 per cent of total gross domestic product, well above Latin America's 31 per cent. In some countries the estimates are higher still: almost 200 per cent of GDP for Gabon and around 150 per cent for Egypt and Nicaragua.

This is serious money by any standards. At the end of 1990, says the Bank, the stock of flight capital stood at US$700bn or 55 per cent of the total debt stock at that time. Moreover, between 1986 and 1988 the flow of flight capital was well over $50bn a year. In 1988 alone it was $80bn. But over the past four years the flows have reversed, as money has poured back into countries like Argentina, Brazil and Mexico.

Naturally, there is no simple way of measuring flight capital. The World Bank's approach is to use components of the balance of payments to determine a residual. Capital flight is measured by the difference between known external borrowing plus foreign direct investment, on the one hand, and the current account deficit plus the increase in reserves, on the other. How accurately capital flight has been measured depends on the accuracy with which these components are measured, which is to say not very accurately at all. But these figures should still say something about orders of magnitude. Capital flight may be a big elephant or a small elephant, but it is no mouse.

The encouraging part of this story is that policy changes help. Overvalued real exchange rates, which are a subsidy to capital exports, large spreads between domestic and international real interest rates and penal taxation, particularly of capital, are all reasons for capital flight. These can all be modified. But behind them usually lie overburdened public finances. Accordingly, the easy assumption that capital flight is itself a good reason for not providing official external assistance is a bit simplistic. Such assistance can allow a government which is determined to reform the room to do so. Once it has reformed, however, and the capital has flown back, further assistance should not be offered for such macroeconomic purposes.

Perhaps the most important conclusion of the Bank's analysis is that "the choice for developing countries is not between financial integration and no integration. Rather, it is between two-way integration that permits capital inflows and private institutional outflows and one-way integration that consists of capital flight." In any economy that allows people control over funds, but denies them both a profitable and secure outlet at home, the money is bound to fly out. It does not need to be a capitalist economy. Russia is suffering chronically from capital flight at present. Those who moan about the undesirability of "shock therapy" fail to realise that it is their advice – all too faithfully followed, unfortunately – which is generating this crippling outflow.

It is in the interests of developing country governments to allow capital to flow fairly freely. Provided they also allow people profitable investments at home, money is just as likely to come in as flow out. Indeed, that is what one would expect, since the best investment opportunities in the world should be in poorer countries.

Martin Wolf

Global Economic Prospects and the Developing Countries 1993 (Washington DC: World Bank).

To explain how Club World is changing we'd like to take you on a 10 hour flight.

Have you got 2 minutes?

Clutchingyourtightlypackedbriefcase,you makeyourwaythroughthetightlypacked airport.People.Noise.Morepeople.You're justpreparingyourselftodothepassport control shuffle when hold on, you're leaving everyone behind.

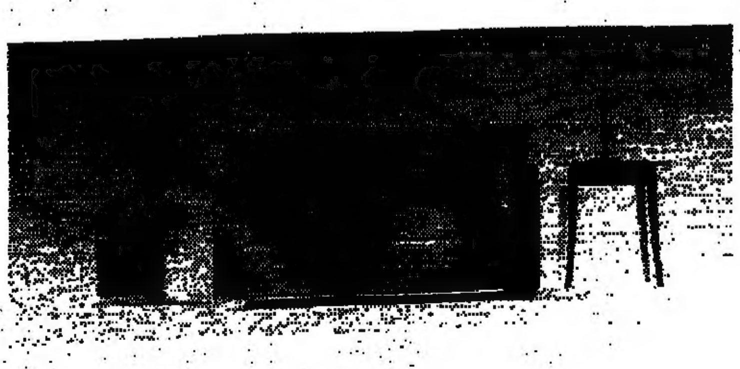
You're sailing through your own separate security channel.

As you drift through the doors of the new Club World Lounge, you hear something strange.

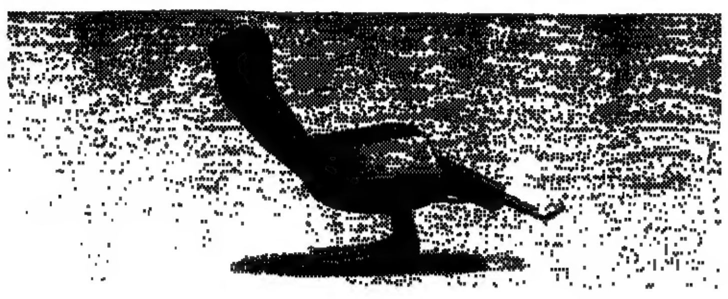
What is it?

Absolutely nothing.

You haven't heard that for a long time. Listen, there it is again.



Your flight announcement prises you out of the sofa and into... that old armchair of yours.



Wait a whoooooooops, your armchair never felt this good. And where did that foot rest come from?

Oh well, just lie back and think of... dinner.

A choice of four leisurely courses
over three and half hours
or a lighter meal over a mere
60 minutes

So you could stop here

Or go on

And on and on

And to follow, may we recommend
a small slice of escapism

You turn ▶ ON your personal seat-back video. Looking ▶▶ FWD to your choice of 8 channels of entertainment, you let your mind switch ■ OFF.

You've seen the film, now read a booklet: 'The Well Being in the Air Programme.'

Let's just try a few exercises.

Strrretch your arms and breeeeeeathe out.

Rotate wrists clockwise (gosh, is that the time already?)

Breathe innnnnnn and out... innnnnnn and out... eyelids getting heavy.... who's that snoring?..... maybe I should just look at those

AWOKEN by a gentle alarm call and, exactly when you ordered it, breakfast.

Tropical fruit or *Birchermuesli*

Orange juice or *Energiser drink*

Eeni, Meeni, Miney or *Mo*

Right, let's have a ~~long~~ quick look at the presentation.

This seems to be a problem. — no it's not.

We just need to be more decisive on this.

or do we?

Before you know it, you've landed.

Please remain reading until the ad comes to a complete halt.

Congratulations. You've just flown around the new Club World in 80 lines.

CLUB WORLD
BRITISH AIRWAYS
The world's favourite airline

NEW SEAT AND VIDEO CURRENTLY AVAILABLE ON 60% OF AIRCRAFT.

NEWS: UK

NatWest launches German storecard

By John Gapper

NATIONAL Westminster Bank is to introduce branded retail store credit cards to Germany, as part of a fresh expansion by British financial services companies into continental Europe.

The bank is setting up an operation to offer retailers cards under its Comfort brand, which operates in Holland and Belgium. The establishment of NatWest's German card company is expected to employ about 300 people by 1997.

Although banks have been hit by high provisions against bad debts in operations such as mortgage lending in France and Spain, they are keen to offer British products such as store credit cards in markets where they are less known.

NatWest said the use of store credit cards, the dominant means of buying consumer durables such as washing machines and freezers in the UK, had not yet developed in Germany or some other European countries.

Mr John Morgan, marketing director of the personal finance operation of NatWest's Lombard North Central finance house subsidiary, said the bank had already received expressions of interest from some 3,000 German retailers.

NatWest will not charge German retailers for providing *their branded credit cards.* Although the store's name appears on cards, the bank lends money and makes interest charges on the amount borrowed, as well as assessing risks. German retailers have until now relied on generic credit cards such as MasterCard and Visa as well as debit cards. The transaction charges paid by retailers each time one of these cards is used have acted as a disincentive.

NatWest said it was forming a venture called Comfort Card GMBH, based in Düsseldorf. Mr Morgan said the bank had researched the risks of bad debt in Germany, and concluded that consumers were "cautious about the way they spend their money, and prudent in the need to repay what is borrowed".

Concerns over threat of unemployment may damp recovery hopes

Survey highlights job fears

By Diane Summers, Labour Staff

MORE THAN 40 per cent of workers in Britain are worried they could find themselves out of a job within the next 12 months, according to the first of a monthly series of Mori surveys, published in the Financial Times today.

Survey findings about the fear of becoming unemployed come in spite of recent, more encouraging economic indicators and optimistic messages from government ministers emphasising signs of recovery.

There is a risk that concern about jobs could damp hopes that a marked increase in consumer confidence will add momentum to the UK's emergence from recession.

Those who felt the most vulnerable were male workers between the ages of 45 and 54 in the "C2" skilled worker category. Job insecurity was felt most strongly in the south, particularly in greater London and among full-time, rather than part-time employees.

The survey, commissioned from Mori by Industrial Relations Services, the independent pay and conditions research group, should provide some indication each month of how far confidence is returning.

Official jobless figures fell in March by 26,000 to a seasonally adjusted total of 2.94m. The second successive fall took analysts by surprise. While welcoming the reduction, the government has warned it was too early to tell whether unemployment had peaked – even if recovery continues, jobless figures could yet rise.

The IRS/Mori index found 41 per cent of adult workers said they were concerned – 21 per cent were "very concerned" and 20 per cent were "fairly concerned" – about the possibility of being made redundant or becoming unemployed over the next 12 months.

An open-ended question asked why individuals were worried about losing their jobs.Some health service employees, for example, mentioned changes in the state health service and uncertainties arising from hospitals moving to trust status. Other workers feared their companies would lose contracts or would cut jobs after takeovers. One male mill operator said: "No jobs are safe these days. I work with an animal feed company. You used to be able to work for them for life. Now they have been taken over and they are making people redundant."

Nearly half of men, 46 per cent, were concerned about losing their jobs, compared with 35 per cent of women. More than a quarter, 27 per cent, of workers who were aged between 45 and 54 said they were "very concerned" about becoming unemployed, compared with 17 per cent of 25 to 34 year-olds who said they were very concerned.

Professional and managerial employees were not spared anxiety: 28 per cent feared for their jobs. However, nearly half – 48 per cent – of skilled workers were worried they might lose their jobs in the next year. In greater London, 46 per cent of workers were concerned for their jobs, compared with 37 per cent in the north of England.

Mori interviewed 1,024 adults in full- or part-time work, in their homes, throughout Britain between 22-26 April.

Data were weighted to match the profile of the population.

● Managers believe that the biggest barriers to women's training and development are family commitments, the prejudices of male managers and childcare problems, an Industrial Society survey shows.

The survey, of nearly 400 member companies, found that managers rated the Equal Opportunities Commission as the most important influence on policies for women's development and training. Opportunity 2000, a private-sector-led initiative to promote women's employment, was rated the least influential.

Wimpey chief steps down from Channel tunnel post

By Andrew Taylor in London and Alice Rawsthorn in Paris

MR JOE Dwyer, chief executive of Wimpey, will later this week stand down as the British co-chairman of Transmanche Link, the Anglo-French consortium building the Channel tunnel.

Transmanche is locked in a bitter row with Eurtunnel, the project's operator, over which of them should pay for the big increase in the cost of building the tunnel.

Mr Dwyer is to be succeeded by Mr Neville Simms, chief executive of Tarmac, one of five British members of Transmanche which also includes five French companies. Wimpey said yesterday that when Mr Dwyer took the job he had indicated that he would stay for about a year. He had done this, and wanted to concentrate on running Wimpey.

The company said Mr Simms would continue to represent the best interests of contractors. There would be no softening in the campaign to get Eurotunnel to pay for changes in design and contract conditions which had pushed up the price of the job.

Negotiations between Transmanche and Eurotunnel have ground to a halt. Wimpey said Mr Dwyer might have remained longer if talks had been continuing and if he had felt that there was a chance of settlement being reached.

The opening date of the tunnel has already been delayed by at least seven months compared with an original target date of May 15 this year. Contractors have warned that the tunnel might not open until June next year if agreement cannot be reached with Eurotunnel over modifications to the contract.

Mr Simms yesterday was unavailable for comment on his latest appointment.

Meanwhile, Eurotunnel plans to pay part of its fee to Bechtel, the US construction group, by issuing shares rather than in the conventional form of cash. News of the share transaction, which will involve Eurotunnel issuing 2m new shares, comes at a time of intense speculation about the group's finances because of the costly delays in the tunnel's construction schedule. The anticipated cost of the project has escalated from £4.8bn in 1987 to the current estimate of £8.4bn.

Eurotunnel, which last month announced it may need to raise up to £850m in additional cash by the end of 1995 due to the delays, plans to seek shareholders' agreement for the Bechtel issue at a meeting on June 10. It will also ask for permission to raise its nominal capital by up to FFr1.92bn to issue new shares and by FFr565m to issue warrants.

Bechtel has since 1986 acted as a consultant to Eurotunnel and has seconded a number of executives to work for the group. Eurotunnel said it was allowed to pay part of Bechtel's bill in shares under the terms of their original agreement.

The Dalai Lama waves to supporters in London yesterday at the start of a two-week visit to Britain. Tibet's exiled spiritual leader will meet foreign secretary Douglas Hurd, Liberal Democrat leader Paddy Ashdown and the Archbishop of Canterbury. A series of lectures at Wembley Conference Centre in London from May 8 to 11 are already sold out. The talks are said to offer: "The heart of Tibet's ancient Buddhist wisdom – love, compassion and altruism – in everyday language to the widest possible audience". It is the first time the Dalai Lama, winner of the Nobel Peace Prize, has agreed to undertake such a programme. The Dalai Lama will also visit Britain's only Tibetan monastery, Samye Ling near Dumfries in the Scottish lowlands.

BANK OF ENGLAND

Fresh powers unlikely before 1994

By Alison Smith

NEW LEGISLATION to revise the Bank of England's banking supervisory powers will not be introduced until 1994 at the earliest.

Mr Norman Lamont, chancellor, promised last October that the government would act to give the bank express powers to refuse or revoke authorisation of banks where proper supervision was impossible.

The pledge was part of the government's response to the inquiry headed by Lord Justice Bingham into the supervision of the collapsed Bank of Credit and Commerce International.

In July last year, the Bank of England asked for a new, explicit power to deal with banks that could not be supervised effectively, whether on structural or other grounds.

Lord Justice Bingham concluded that such banks could be dealt with under the existing Banking Act, but accepted that explicit powers should be given if that would strengthen the Bank of England's hand.

Responding to the Bingham report, Mr Lamont said he would vigorously pursue all its recommendations, and would introduce legislation when parliamentary time allowed.

There were, however, far too many bids from departments for legislation in the new parliamentary session that will begin in November, and the banking bill was one of those eliminated early on by the government's business managers.

The only bill that is in the schedule as a piece of Treasury legislation is a "technical and essential" measure on European Community finance.

Ministers appear to have taken into account that the intense political pressure over BCCI is past its peak, and that progress has been made in the non-legislative areas of Bingham's recommendations, for example the Bank of England's setting up new legal and investigative units.

Even so, MPs who have been campaigning on behalf of BCCI's UK depositors are likely to be angered by the apparent relaxation in the government's attitude towards this aspect of recommended changes after BCCI.

MPs will have an opportunity to raise the issue with Mr Lamont during the inquiry by the cross-party Treasury committee of MPs into the role of the Bank of England.

EC ministers will hear from angry UK steel users, reports **Andrew Baxter**

Engineers fear body blow from steel price rises

Small and medium-sized British engineering companies are becoming increasingly worried that an increase in steel prices of as much as 40 per cent this year could endanger or postpone their recovery from the recession.

As European Community ministers meet in Brussels today to study the next steps in the restructuring plan for the EC steel industry, angry UK steel users are complaining that price increases are having damaging knock-on effects for UK manufacturing. They say that the rises threaten to stoke up inflation and hasten the return of a "boom and bust" economy.

In particular, small companies are worried about being *squeezed between large steel* suppliers and powerful end-users of their products – such as vehicle makers or retailers – who refuse to accept any price increase.

This sentiment was supported by Mr Ray Gore, group purchasing director at Wells-based Clares Equipment, which makes trolleys and shelves for supermarkets.

Mr Norman Gledhill, executive director of the Mechanical and Metal Trades Confederation (Metcom), said that price increases in basic raw materials such as the latest steel price rises "do very little to help the competitiveness of British engineering in the attack on valuable export markets."

But the steel industry has strongly defended the price rises. British Steel pointed out that that the increases had not fully recouped – even in nominal terms – the reductions in prices suffered by producers since 1990.

British Steel said prices for strip products had fallen by as much as 35 per cent until the start of the recent round of increases. Implementation of a 9 per cent increase on July 4 will bring the increase since then to 19 per cent.

Smaller steel users say their own big customers benefited most from the price reductions of 1990-1992. They are now blocking attempts by suppliers to pass the increases on – in fear of damaging their own fragile prospects of recovery.

Mr Terry Barnes, managing director of Deeside-based Dixon-Bate, has written to the prime minister about the steel price rises. Dixon-Bate, which makes towing equipment, buys about five tonnes a month of flat steel and sections from a stockholder which itself is supplied by Allied Steel & Wire in Cardiff.

Mr Barnes says he has had to weather four price increases, totalling 40 per cent, *so far this year.* "I've only been able to pass on a price increase of about 2 per cent," he said. Dixon-Bate is considering buying east European steel instead, and Mr Barnes has told ASW that a 40 per cent price increase will kill UK demand.

In reply ASW has told Mr Barnes that it is highly likely that selling prices for its steel sections will be less this year than they were in 1990 and little more than 5 per cent higher than they were in 1985.

The price rises are also hitting medium-sized companies. Mr James Watson, managing director of South Yorkshire-based Coltran Products, has had to accept a 6 per cent – or £22 a tonne – increase in the price of mild steel rod it buys from a number of stockists which are supplied by British Steel.

Coltran is the UK's largest manufacturer of laundry airers and buys 1,200-1,400 tonnes of steel a year.

Mr Watson said he did not expect to be able to pass the increase on to his customers, which include big retailers, and it would be difficult to recoup the increases from any further internal productivity improvements.

"We've moved towards becoming the low-cost producer, and we've taken market share from competitors. But, coming out of the recession there are two things that matter: cash flow, and having the funds to invest," he said.

Further steel price rises are considered likely in the autumn but the European steel industry is adamant that it needs the increases to recoup the heavy losses of the past two years. The rises follow production cuts of 15 per cent to 20 per cent across Europe in the final quarter of last year. Price increases have also been fuelled by strong demand from China.

ECONOMICS

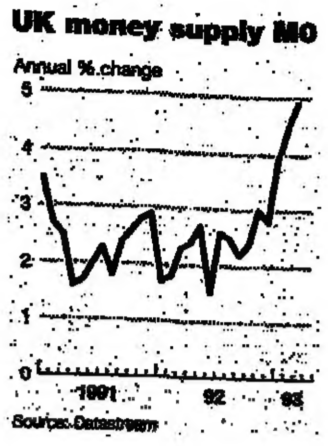
Narrow UK money supply in spotlight

THERE are few economic indicators in the UK this week, although provisional narrow money supply figures for April will generate interest. Rapid year-on-year growth in M0 has been cited as evidence that consumer spending is recovering. M0 has remained above the upper limit of the government's 0-4 per cent monitor range since February and, according to the latest median forecast, grew at a buoyant 5 per cent in the year to April.

Given the recent upbeat comments of the Prime minister and the Chancellor about the state of the UK economy, Friday's monthly monetary report is also likely to be modestly optimistic. But the Treasury will be cautious about sounding too enthusiastic. Many analysts expect economic activity to show temporary signs of faltering before the year is over, similar to the pattern of recovery in the US.

In the US, non-farm payroll figures at the end of the week will once again throw the spotlight on the strength of recovery. Last week, disappointing GDP figures pointed to a slowdown in consumer spending and weakening exports. But April's figures should show a rebound and economists are forecasting a 150,000 rise in non-farm payrolls.

UK money supply M0



There is also a rush of data from Germany this week. March's industrial production and manufacturing new orders are both projected to fall as recession deepens. However, economists do not expect the Bundesbank to announce a further cut in official rates at its regular council meeting.

Other economic highlights of the week follow. The figures in brackets are the median of economists forecasts from *MMS international*, a financial information company.

Yesterday: US, April NAPM index (53 per cent); March construction spending (down 1 per cent). UK, national holiday, all markets closed. Japan, national holiday.

Today: US, March leading indicators (down 0.8 per cent); April Johnson Redbook week ended May 1; auto sales April 21-30 (6.5m units), truck sales April 21-30. Germany, Federal Consortium sets terms of new Bund. Australia, Reserve Bank of Australia monthly board meeting; March current account (A$1.2bn deficit), *building approvals.*

Tomorrow: UK, April official reserves (up $0.1bn). Spain, April official reserves (up $35bn). US, Fed releases Tan Book for May 18 FOMC meeting; March home completions. Canada, April foreign reserves (down C$0.8bn), help wanted index (89).

Thursday: UK, Newbury by-election; April M0 (up 0.5 *per cent on month*, up 5 per cent on year); March, final M4 and M4 lending. Germany, Bundesbank council meeting in Frankfurt; April unemployment – west (up 50,000), employment – west (down 55,000), vacancies – west (down 6,000), short time work - east (up 14,000), unemployment – east (down 10,000). US, Greenspan delivers keynote address at Chicago Fed conference; initial claims week ended May 1 *(349,000); state benefits week* ended April 24; preliminary figures for Q1 productivity; March wholesale trade; money supply data for week ended April 26. Japan, March current account, trade balance, foreign bond investment; April forex reserves, auto sales.

Friday: UK, regular Treasury monthly monetary report. US, April nonfarm payrolls (up *150,000), manufacturing payroll* (up 10,000), hourly earnings (up 0.2 per cent), average work week, civilian unemployment rate (7 per cent); March consumer credit ($0.6bn). Canada, April employment (up 0.2 per cent), unemployment rate (11 per cent).

During the week: Germany, March industrial production (down 0.5 per cent on month), manufacturing output (down 0.5 per cent on month), manufacturing orders (down 1 per cent); April cost of living; February, trade balance, current account. Spain, April auto sales. Italy, April CPI.

Emma Tucker

RESULTS DUE

BAT Industries, the UK-based tobacco and financial services group, will be quizzed about the impact of the US cigarette price wars when reporting its first-quarter results tomorrow.

The decision by US tobacco group Philip Morris to slash *prices in April had no impact* on BAT's figures to the end of March, which are expected to show pre-tax profits up from £258m to about £350m. But the UK group's share price has fallen by 17 per cent since the price cuts started and analysts will be keen to get an update.

The results will include a currency gain of about £30m, but also reflect stronger performance by BAT's insurance subsidiaries, Eagle Star in the UK and Farmers in the US.

British Petroleum is expected to show on Thursday a *slight decline in its* replacement cost profit for the first quarter when compared with the final quarter last year.

Mr Nick Antill at Hoare Govett estimates the company will make £190m compared with £200m.

In the same period last year, BP posted a profit of £89m.

But BP will have done well to keep the result fairly stable when oil prices and refining margins have declined, leading to a downturn in pre-tax operating profits. This will be partly offset by lower interest and *tax charges and a dollar*-sterling exchange rate boost.

Refining margins in Asia improved and chemicals are expected to be no worse than last year. Tate & Lyle is expected to report tomorrow a rise in interim pre-tax profits of about 15 per cent to £108m.

Royal Bank of Scotland, also reporting interim results the same day, is forecast to produce pre-tax profits of about £65m after bad debt provisions against £48m a year earlier. Positive factors include flat costs, rising fee income and *widening mortgage spreads.*

Bank of Scotland, on Thursday, is expected to report flat pre-tax profits for the year ended February of about £140m. Operating profits will have grown by about 12 per cent but bad debt provisions have risen.

PARLIAMENTARY DIARY

■ TODAY
Commons: Health questions. Questions to the Prime Minister. European Communities (Amendment) Bill, report.
Lords: Education Bill, committee. Access to Health Records (N. Ireland) Order. Social Security (Amendment) *(N. Ireland)* Order.
Select committees: 10.30am, social security – subject: the operation of pension funds. Witness: Robson Rhodes. Room 15.
10.45am, Treasury and civil service sub-committee – subject: the role of the civil service. Witnesses: Professor Peter Hennessy; Sir Peter Kemp (at 11.45). Room 8.

■ TOMORROW
Commons: Scottish questions. European Communities (Amendment) Bill, report.
Lords: Debates on developments *in manufacturing* industry and patient confidentiality and the media. Licensing (Scotland) Bill, second reading.
Select committees: 9.15am, environment – subject: energy efficiency in buildings. Witnesses: department of environment; energy efficiency office. Room 20.
10.15am, parliamentary commissioner for administration – subject: the powers, work and jurisdiction of the ombudsman. Witness: Mr William Reid CB, parliamentary commissioner for administration and health service commissioner. Room 19.
10.30am, foreign affairs – subject: UK policy and the role of the UN in the former Yugoslavia. Witness: Mr Douglas Hurd, foreign secretary. Room 8.
10.30am, trade and industry – subject: British aerospace industry. Witnesses: Mr Tim Sainsbury, minister for industry; DTI officials. Room 21.
10.45am, agriculture – subject: the effects of conservation measures on the UK seafishing industry. Witnesses: National Federation of Fishermens' Organisations. Room 15.
10.50am, defence – subject: the Royal Navy. Witnesses: MoD officials. Room 16.
4pm, transport – subject: London bus deregulation. Witnesses: Association of London Authorities; London Boroughs Association; London Regional Passengers Committee (at 4); trade unions: RMT, TGWU, TSSA (at 5). Room 8.
4.10pm, Treasury and civil service – subject: Community budgetary and economic matters. Witnesses: budgets committee and budgetary control committee of the European Parliament. Room 6.
4.15pm, public accounts – subject: expenditure by Wessex Regional Health Authority. Witnesses: Sir Duncan Nichol, chief executive NHS management executive; Mr Ken Jarrold, regional general manager, Wessex Regional Health Authority; Sir Robin Buchanan, chairman, Wessex Regional Health Authority. Room 15.
4.15pm, science and technology – subject: the routes through which the science base is translated into innovative and competitive technology. Witnesses: Mr A Britton, director, Professor S. Prais, senior research fellow, and Mrs H. Steedman, senior research fellow, National Institute of Economic and Social Research. Room 16.
4.45pm, home affairs – subject: Lord Chancellor's department annual report. Witness: Sir Thomas Legg, permanent secretary, Lord Chancellor's department. Room 20.

■ THURSDAY
Commons: Treasury questions. Questions to the Prime Minister. Debate on the Royal Navy.
Lords: Trade Union Reform and Employment Rights Bill, report.

■ FRIDAY
Commons: Backbench business - Osteopaths Bill, report. Hedgerows Bill, report.
Lords: Not sitting.

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Admiral, Admiral House, 193-199, London Road, Camberley, Surrey, 12.00
Cairn Energy, Cairn House, 61 Dublin Street, Edinburgh, 12:30
Courtaulds, Langham Hilton Hotel, 1 Portland Place, Regent Street, W., 10:45
Drayton Korea Trust, 11 Devonshire Square, 2:30
Lionheart, Hotel Metropole, National Exhibition Centre, Birmingham, 11.00
MTL Instruments, Power Court, Luton, Beds., 4:30
Unilever, Queen Elizabeth II Conference Centre, Broad Sanctuary, S.W., 11.00
Wates City of London Props., *Vintners' Place*, 68 Upper Thames Street, E.C., 10:30
Burford Hldgs., London Press Centre, New Street Square, E.C., 10.45
Garton Eng., Park Hall Hotel, Park Drive, Goldthorn Park, Wolverhampton, West Midlands 12:00
Kleinwort Smaller Co's Inv. Trust, 10 Fenchurch Street, E.C., 12:30
Kwik-Fit Hldgs., Skinners Hall, 8, Dowgate Hill, E.C., 12.00
Nichols (J. N.) Vimto, Ledson Road, Wythenshawe, Manchester, 11:00
Pendragon, Lund Pavilion, Derbyshire County Cricket Ground, Nottingham Road, Derby, 10:45
Pittard Garnar, Sherborne Road, Yeovil, Somerset, 12:00
RTZ, *Queen Elizabeth II* Conference Centre, Broad Sanctuary, S.W., 11.00
Sumit, 119, London Wall, E.C., 2.15
British Mohair Hldgs., Midland Mills, Valley Road, Bradford, 11:30
Coats Viyella, Inn on the Park Hotel, Hamilton Place, W., 2.30
Expamet Intl., Royal Automobile Club, Pall Mall, S.W., 12.00
Fired Earth Tiles, Middle Aston, Oxfordshire, 12:00
Invergordon Distillers, Merchants Hall, Hanover Street, Edinburgh, 11.45
Lilleshall, Chequers Hotel, Oxford Street, Newbury, Berkshire, 11:30
Matthews (Bernard), Airport Ambassador Hotel, Norwich Airport, Cromer Road, Norwich, 12:00
T & N, *Ramada Renaissance* Hotel, Manchester, 12.00
WSP Hldgs., 15, New Bridge Street, Blackfriars, E.C., 11.00
Clarke (T.), Savoy Hotel, W.C., 12:00
Fife Indmar, 115 Hanover Street, Edinburgh, 12:00
Holders Technology, Hendon Hall Hotel, Hendon, N.W., 12.00
Low & Bonar, Bonar House, *Faraday Street*, Dundee, 12.00
Macallan-Glenlivet, The Macallan-Glenlivet Distillery, Craigellachie, Banffshire, 12:00
Oliver Group, Grove Way, Castle Acres, Narborough, Leicester, 12:00
P & O, Queen Elizabeth II Conference Centre, Broad Sanctuary, S.W., 11.00
Psion, Alexander House, 85 Frampton Street, N.W., 11:00
Rugby Group, *Crown House*, Rugby, Warwicks., 12.30
T & S Stores, Swinfen Hall Hotel, Swinfen, Staffs., 11:00
Moat House, Silver Street, Northampton, 12:30

BOARD MEETINGS:
Finals:
BMSS
Silentnight
Beattie (James)
Brown (N)
Bank of Scotland
Copymore
Highcroft Inv. Tst.
London Amer Ventures Tst.
Prowting
Smith (James) Estates
Cooper Clarke
Radiotrust
Select Appointments
Interim:
Ingham
FR Group
Finsbury Growth Tst.
Royal Bank of Scotland
Titon Hldgs.
Tate & Lyle
Bellway
MMT Computing

■ TOMORROW
COMPANY MEETINGS:
Braime (T.F. & J.H.), Hunslett Road, Leeds, 2.30
British-Borneo Petroleum Syndicate, Chartered Accountants Hall, Moorgate Place, E.C., 12:00
Buckingham Intl., Holiday Inn Kensington, 100 Cromwell Road, S.W., 10:00
Liverpool, 66-72, Mill Lane, Liverpool, 3.00

■ THURSDAY MAY 6
COMPANY MEETINGS:
Appleyard, Ian Skelly

■ FRIDAY MAY 7
COMPANY MEETINGS:
Church, The Northampton Moat House, Silver Street, Northampton, 12:30

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

DIVIDEND & INTEREST PAYMENTS

■ YESTERDAY
Anglo American Indl. 5⅝% 1st Prf. R0.05625
Bell Atlantic $0.67
Pacific Telesis $0.545
Southwestern Bell $0.755
Treasury 15¼% Ln. 1996 £7.625
US West $0.535
Volvo AB A SK7.75
Do. B SK7.75

■ TODAY
Air Canada 11¼% Bds. 1994 £562.5
Allied Leisure 1p
American Tst. 3.4p
APV 3.15% Prf. 1.575p
Do. 4.55% Prf. 2.275p
Do. 5¼% Prf. 2.625p
Billam (J.) 3.1p
CIA 3.03p
Eng. & Dutch Inv. 8% 1st Prf. Fl0.8
Do. 8% 2nd Prf. Fl0.8
Five Arrows Chile Fd. $0.4
Fleming Merc. Inv. 1.675p
French Property Tst. 1.3p
Greece (Kingdom of) 7% (now 3½%) Refugee Ln. 1924 35p
Do. 7% (now 3½%) Refugee Ln. Stlg. Fd. Bds. 1965 87.5p
Ernest Green & Partners 2.75p
Halifax Bldg. Soc. Fltg. Rate Nts. 1997 £358.16
Hungary (Republic of) 7½% Stlg. Bds. 1924 £2.75
Hydro Quebec 9½% Debs. Sers. GG 2001 C$95
Johnson Group Cleaners 18.7p
Lex Service 6.6p
Lloyds Abbey Life 11p
Macro 4 6.27p
MAI 2p
Marubeni America Y7300000
Natl. Home Loans Fltg. Rate Nts. 1995 $2.22
Natl. Westminster Bank 9.45% Sub. Nts. 2001 $4.725
Do. 11¾% Sub Nts 2001 £117.5
New Zealand 11¼% 2008 £281.25
Prudential Fd. Corp 10% Nts. 1998 C$100
Repsteel O'seas Fin. NV 11½% Cnv. Sec. Br. Nts. 1996 $57.5
Sirdar 1.65p

■ TOMORROW
Britton 0.03p
Credit Natl. 13½% Gtd. Nts. 1993 £67.5
General Motors Acceptance Corp. of Can. 9¾% Nts. 1993 C$97.5
Lloyds Bank 12.5p
Minorco $0.19
MTL Instruments 2p
Osterreichische Postsparkasse 6¾% Nts. 1995 $68.25

■ THURSDAY MAY 6
Braime (T. F. & J. H.) 6.5p
Do. A NV 6.5p
Burford Hldgs. 0.65p
Cadbury Schweppes 8¼% Uns. Ln. 1994/2004 £4.125
Courtaulds 4.2% Rd 2nd Prf 2.1p
Do. 6½% Uns Ln '94/96 £3.25
Do. 7¼% Uns Ln '94/96 £3.625
Delta 10¾% '95/99 £5.375
Domestic & General 7.5p
Lewis (John) 10¼% Bds. 2006 £102.5
LGW 1.875p
Paterson Zochonis 2.35p
Do. A NV 2.35
Schroders 16p
Whitbread 7¼% Uns Ln '95/99 £3.625

■ FRIDAY MAY 7
BBA 10% Deb. 1989/94 £5
Bristol & West Bldg. Soc. 13⅜% Perm. Int. Br. £66.875
British Alcan Aluminium 10½% Gtd. Ln. 1989/94 £3.85
British Petroleum 2.1p
CALA 0.75p
Conversion 9¾% 2003 £4.875
Expamet Intl. 1.16p
FII Group 6p
Hall Eng. 5.34p
Jardine Strategic Cnv. Prf. (Bermuda Reg.) $0.60
Do. (Jersey Reg.) $0.60
Lloyds Smaller Co's Inv. Tst. Package Uts. 1.85p
Do. Dividend 1.85p
Matthews (Bernard) 1.25p
Mazda Motor Fltg. Rate Nts. Aug. 1996 Y88840
Do. Fltg. Rate Nts. Nov. 1996 Y88840
Natl. Westminster Bank 11.375p
New Throgmorton Tst. 1.5p
Paribas French Inv. Tst. 1p
Pendragon 4.4p
RPS 1.2p
Savage 0.25p
Smith & Nephew 4% Cnv. Bds. 2002 £40
Tay Homes 1.2p
Transport Dev. 6.5p
Vardon 0.5p
Vickers 1p
Wates City of London Props. 9½% Bds. 1993 £950
Wimpey (George) 3.25p

■ SATURDAY MAY 8
Ricardo 1.9p

■ SUNDAY MAY 9
Dead Sea Works NIS0.313

MANAGEMENT: THE GROWING BUSINESS

—In a— Nutshell

Your spouse to the rescue

Many small business owners depend on a supportive wife or husband.

Recognition of the important role a spouse can play in business success has come with the launch of a pilot European Community scheme entitled Spouses in Businesses.

Experimental courses will be run this month in Britain, by Gloucestershire Training and Enterprise Council, and in Denmark. The results of the two schemes will be compared for possible extension of the programme to other EC countries.

Spouses will be taught the basics of financial control, sales and marketing and leadership skills and given guidance on legal issues and dealing with accountants.

The course will also advise on the interpersonal skills needed by working couples. Twelve people have been selected to take part in the first, free, course.

Gloucestershire TEC, Conway House, 33-35 Worcester Street, Gloucester GL1 3AJ. Tel. 0452 524488.

A better way to calculate PAYE

Calculating PAYE returns for employees is a chore for small business owners and carries the risk that mistakes can lead to the imposition of penalties and interest charges. A frequent area of confusion is which non-salary benefits should be included in the total for gross pay.

A handy guide to which items should be included in payroll calculations and which should be left out has been compiled by accountants Blick Rothenberg.

It covers items such as vouchers, season tickets, private medical schemes, club membership and home telephones.

Tel. 071 486 0111. One page. Free.

Charles Batchelor continues a monthly series answering questions raised by the single market

Jumping the EC fences

The Growing Business page's Single Market Q&A series is intended to allow readers to raise issues prompted by the formal launch of the single European market on January 1 1993.

If economic recovery in the UK continues British companies should once again be able to turn their thoughts to expansion and opportunities in continental Europe. To judge by the response to the first Q&A feature (on March 9) there is also a keen interest among readers outside the community.

Illegal barriers to EC trade

Q: I have encountered what I believe to be non-tariff barriers in selling to Italy. Is there an organisation that can assist companies who experience these problems in trading with another member state?

A: In the UK the Single Market Compliance Unit (SMCU), at the Department of Trade and Industry, advises and assists UK companies experiencing illegal barriers to trade in other member states of the community.

These may be breaches of the Treaty of Rome or non-compliance with single market measures by other member states. This is of particular value to smaller companies with limited resources.

Where a company, individual or organisation meets a problem, believes it has a legal basis for complaint and has evidence to support it, the SMCU will review the case and advise on the best way to resolve it.

Assuming a legal basis for complaint is found, the UK government will usually take up the case with the member state concerned. However, it can take many months to resolve problems and patience will be necessary.

A company may also wish to raise the matter with the European Commission, particularly if a direct approach to the country concerned is not working. The SMCU can advise companies preparing a case for the commission. The commission will carry out its own investigation and if it finds evidence of a breach of EC law it may issue infringement proceedings against the member state concerned. This may result in the case being brought before the European Court of Justice.

Public contract procedures

Q: I would like more information on the procedures for public contracts mentioned in last month's Q&A article. Is the negotiated procedure, whereby contracting authorities only consult contractors of their choice, not anti-competitive?

A: There are three procedures in use: open, restricted and negotiated.

If an open procedure is used by the contracting authority anyone may tender. The open procedure may be used for the purchase of works, supplies and services.

Under the restricted procedure anyone may apply to be considered. The purchaser selects suitable suppliers from those who have expressed an interest in a contract advertised in the Supplement to the Official Journal and invites them to tender. Under the negotiated procedure, direct discussions take place between the contracting authority and one or more suppliers or contractors of its choice. This procedure is not intended to be anti-competitive but to be practical and to shorten lengthy procedures.

The negotiated procedure, with no prior publication in the Supplement to the Official Journal, may be used when:

- no tenders are received under an open or restricted procedure;
- there are technical or artistic reasons for choosing a particular supplier or a particular supplier has exclusive rights to the product or service needed;
- there is extreme urgency resulting from unforeseeable events.

Where supplies of a product are concerned the negotiated procedure may be used when:

- goods are for research and development purposes only;
- additional deliveries are sought from a particular supplier because of the need for compatibility with existing goods or for technical reasons.

Where public works are concerned the negotiated procedure may be used when:

- additional works cannot be separated from a main contract or are strictly necessary to its later stages;
- under certain specified circumstances, where a previous works contract is repeated.

In addition, the negotiated procedure, with prior publication in the Supplement to the Official Journal, may be used for works contracts where:

- tenders under an open or restricted procedure were irregular or unacceptable;
- the nature of the work makes it difficult to calculate the overall price at the outset.

Opening outlets in Germany

Q: I am a supplier of hairdressing products and equipment and am looking to open an outlet in Germany. How do I go about this?

A: If Germany is a new market for your company we suggest that you select a region where you would like to start and then consult the local chamber of commerce for information about appropriate local distributors. In Germany hairdressing supplies and equipment are normally sold to chemists and hairdressing salons served by regional wholesale distributors.

It is often a good idea to invite the distributor to inspect your offices and products and then ask him to prepare a report on the market potential, regulations and the competition in his area. This can lead to a distribution agreement (where the distributor becomes the sole purchaser of your products in his area in order to sell them on to his customers) or to an agency agreement (where the agent procures sales on your behalf and receives a commission). It is probably better to explore these routes before making costly commitments in setting up a local subsidiary or a branch. Your choice will also depend on your long-term strategy.

If you already sell in Germany but want to establish a local presence to increase sales you may want to set up your own organisation locally. This will involve setting up a local company, probably a private company known as a GmbH or a branch (Zweigniederlassung). A subsidiary will require its own capital and is a legal entity in its own right, with limited liability.

A branch is merely an extension of the company abroad and has no separate legal identity. From an accounting and tax point of view, however, there is little difference.

Travel insurance in the Netherlands

Q: I recently bought an air ticket in Amsterdam for a client in another country but was told I could only insure against loss if I was a resident or national in the Netherlands. Is this true?

A: There is no national legislation in the Netherlands stipulating that non-residents or nationals are excluded from taking out an insurance policy. Neither are there any legal constraints on the opening of bank accounts by non-residents.

However, travel insurance companies have no legal obligation to sell an insurance policy and may refuse a request from an individual or company which they consider represents an increased risk.

Some of the smaller companies will not accept non-resident customers because of the increased administrative burden. Larger companies, however, are normally prepared to do business with both residents and non-residents. Since there is no existing or proposed EC legislation in this specific area the regulations may vary from country to country.

Recycling computer equipment

Q: Is there any EC legislation governing the recycling of computer equipment in the EC?

A: At the moment there is no EC legislation specifically governing the recycling of computer equipment. However, the commission has defined general policy goals for the recycling of waste for re-use as raw materials or energy, the prevention of waste generation and the safe and orderly development of the waste disposal industry.

The guiding principle behind the community's waste programme is that the disposal of waste is carried out to the highest possible level of protection for the environment and for health.

With this in mind, the commission has developed a plan for the prevention of pollution from waste known as the Community Waste Management Strategy. This is set out in a Commission Communication (SEC(89) 934). Emphasis is placed on waste prevention and then on recycling, re-use and the "optimisation" of waste which is disposed of when not re-used.

If you have any queries relating to doing business in Europe or to the changes brought about by the creation of the single European market please write to:

Charles Batchelor
Single Market Q&A
Number One, Southwark Bridge
London SE1 9HL
or fax 071 873 3933

This feature has been compiled with the assistance of the European Information Centre of the London Chamber of Commerce.

Small fry on big shelves

Small food producers and big supermarket chains could both benefit from closer co-operation.

But the small companies must gear up to meet the supermarket's quality and delivery requirements while the retailers must make themselves more accessible to small suppliers.

Achieving these objectives lies behind a food industry initiative being managed by Strathclyde University.

It aims to help small regional suppliers win more shelf space in the big supermarkets. The initiative includes regional meetings between small suppliers and supermarket buyers and seminars to spread good practice.

New information technology and scanning systems mean that it is now easier for large multiples to put products on sale in a small number of stores.

Like most sectors of the economy the food processing industry is mostly made up of a large number of small enterprises and a few large firms, according to a report* by the Strathclyde Food Project team.

These companies are often unable to supply products consistently and on time for national distribution and have problems communicating with the headquarters of large retailers. They are often undercapitalised and lack access to product-testing facilities.

However, they have a number of strengths including an innovative approach to new products and product processing, product specialisation and a knowledge of their local markets.

To benefit from using more small suppliers, supermarkets may need to establish a small business desk to oversee contacts with new or small suppliers or appoint a liaison officer to deal with contacts, the report suggests.

As part of the initiative the project team is keen to increase awareness among business support organisations of the problems of small food producers.

CB

**The Strathclyde Food Project, Action Plan for the Development of Retail Sales Opportunities for Regional Suppliers. Department of Marketing, Strathclyde University, Glasgow, G4 0RQ. Tel. 041 552 4400. 39 pages. £25.*

BUSINESSES FOR SALE

GREEK EXPORTS S.A.
DENATIONALIZATION
ANNOUNCEMENT OF PUBLIC TENDERS FOR THE HIGHEST BID FOR THE COMPANIES OF THE FORMER PIRAIKI-PATRAIKI GROUP

GREEK EXPORTS S.A. established in Athens at 17 Panepistimiou St. and legally represented, in its capacity as liquidator, in accordance with article 46a of Law 1892/90, as supplemented by article 14 of Law 2000/91 and following Decision No. 289/13.4.93 of the Board of Directors of the I.R.O.

ANNOUNCES

Repeat Public Tenders for the Highest Bid with sealed, binding offers for the sale, as a whole, of the assets of each of the following companies under liquidation:

1. **PIRAIKI-PATRAIKI SYROS SPINNING MILL S.A.** registered in Syros and engaged in the production of yarns (cotton and mixed polyester and cotton). It has 24 Ring machines with 8,392 spindles. The factory is in the Enthermon area of Ermoupolis, Syros, on a self-owned plot of 5,726m².

2. **PIRAIKI-PATRAIKI SAMOS SPINNING MILL S.A.**, registered in Samos, and producing combed cotton yarns with 40 Ring machines nd 24,480 spindles in a factory with an area of 12,626m² in the Varella area of the Community of Vathea on a plot of land of 184,474m².

3. **PIRAIKI-PATRAIKI CHALKIDA WEAVING MILL S.A.** registered in Chalkida and producing unbleached cotton fabrics. It is considered to be one of the largest in Greece in terms of looms with 182 SULZER 153 looms and 88 SULZER 110 looms. The factory, of 104,248m³ in volume is in the Vroniou area of Chalkida (within the town plan) on a plot of 42,882m² in area.

TERMS OF THE TENDER

1. **In General:** The Public Tenders for the Highest Bid will be conducted in accordance with the provisions of article 46a of Law 1892/90 and the terms contained in the present announcement. The submission of a binding offer signifies the unreserved acceptance of all terms.

2. **Offering Memorandum:** Interested parties are invited to receive, from 12.5.93 onwards, the informative offering memorandum which contains a detailed analysis of the company's assets for sale.

3. Binding Offers: In order to take part in the tender, interested parties must submit sealed, written, **binding** offers up to 11 a.m. on Wednesday, 28th May 1883 to the following notaries:
a. For P-P SYROS S.A.: Evangelia G. Sofikitou, 13 Emm. Roidi St. (First Floor), Syros, Tel. 30-281-24439 and 26939.
b. For P-P SAMOS S.A.: Ioannis N. Kiranis, Vathy, Samos.
c. For P-P CHALKIDA S.A.: Ioannis E. Geroyannis, 22 Venizelou St., Chalkida, Tel. 30-221-23343.
The offers must specifically state the offered price and set out in detail the terms of payment (in cash or in instalments, stating the number of instalments and the dates of payment). Offers submitted beyond the time limit will not be accepted or considered. Offers will be binding up to adjudication.

4. **Letter of Guarantee:** Each offer will be accompanied by a letter of guarantee from a bank legally operating in Greece and valid for at least three months (based on the specimen contained in the offering memorandum) to the amount of **50 million drachmas for each of the above-mentioned companies.** Offers unaccompanied by a letter of guarantee will not be considered.

5. **Submission procedure:** Offers, together with the letter of guarantee, must be submitted in a sealed, opaque envelope, either in person or by a legally authorised person.

6. **The bids will be unsealed** by the notaries mentioned in para. 3, in their offices, at **12 noon on 28th May 1993.** Persons who have submitted a binding offer in time are entitled to be present at the unsealing and to sign the relevant minutes of the unsealing and to sign the relevant minutes of the unsealing.

7. **The highest bidder** is considered to be the one whose bid was evaluated and proposed by the liquidator and approved by the creditors who represent more than 51% of the claims against the companies (hereinafter: "the Creditors"), in their absolute judgment, as being in the best interests of the company's Creditors. It is to be noted that where payments by instalment are concerned, present values will be taken into account in evaluating the bids, to be calculated at an annual interest rate of 22% with annual compound interest.

8. **The liquidator** will notify the highest bidders in writing, stating the time and place at which they must be present to **sign the relative contract for the transfer of the assets**, according to the terms of their offers and any other improved terms suggested by the Creditors and agreed by the highest bidders.
In the event that the person to whom the assets for sale have been adjudicated fails in his obligation to come and sign, within thirty (30) days from being invited to do so by the liquidating company, the relative contract and abide by the obligations accruing from the present announcement, then the deposited guarantee is forfeited in favour of the liquidating company, GREEK EXPORTS S.A. in order to cover whatever expenses, time spent and any actual or hypothetical loss sustained, without any obligation to account for it, or, also, GREEK EXPORTS S.A. has the additional right to consider that the guarantee was forfeited to it as a penalty clause, in which case again it has the right to retain the guarantee or collect it from the guarantor bank.

9. All expenses and expenditures of any kind for participation in the tender, and transfer expenses, are to be borne exclusively by the interested buyers and the highest bidder, whichever the case. The VAT charge for the transfer of movable assets will be paid by the buyer.

10. The liquidator and the Creditors have no liability or obligation towards participants in the tender for the evaluation of the bids, the adjudication to the highest bidder, the decision to repeat or to cancel the tender and generally for any other decision regarding the procedure or conduct of the tender. Also, the liquidator and the notaries are not responsible for any actual or legal faults in the assets for sale. The submission of binding offers does not constitute an adjudication right for the sale and in general, participants in the tender do not acquire any right, claim or demand from the present announcement or from their participation in the tender against the liquidator or the Creditors for any reason or cause.

11. **The present announcement** was drawn up in Greek and translated into English. In any eventuality, the Greek version will prevail.

Interested buyers, after completion of the sale, will not have the right to use, in any way, the company name of PIRAIKI-PATRAIKI. The PIRAIKI-PATRAIKI trade mark will remain as an asset of the PIRAIKI-PATRAIKI COTTON INDUSTRY S.A.

For additional information, interested parties may apply to: **GREEK EXPORTS S.A.**, 17 Panepistimiou Street, Athens, Tel. 30-1-324.3111-5 Fax: 30-1-323.9185 and to the **INDUSTRIAL RECONSTRUCTION ORGANISATION (IRO)** S.A. 234 Syngrou Ave., 176 72 Athens, Tel. 30-1-956.4300 Fax: 30-1-956.8788 and 956.3285

Athens, 4th May 1993

BH-F

British Hartford - Fairmont Ltd
BHF (Engineering) Ltd

The Joint Administrative Receivers, offer for sale, as a going concern, the business and assets of the above companies which design and manufacture glass conditioning equipment for the glass container, tableware and tubing industries worldwide.

Principal features of the businesses include:

- major export sales, supported by sales offices in Prague and Tianjin (China) and a network of experienced agents worldwide
- annual turnover of £5m
- 60 full-time employees
- 44,000 sq.ft long leasehold factory and offices, located in Oxfordshire
- US subsidiary based in Toledo, Ohio, with turnover of $7.5m; complementary design and manufacture of process control systems.

For further information please contact J M Iredale FCA, Joint Administrative Receiver at Coopers & Lybrand, 9 Greyfriars Road, Reading, Berkshire RG1 1JG.
Telephone: (0734) 597111. Fax: (0734) 607703.

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For further information, please write to David Stokes, Joint Administrative Receiver, Coopers & Lybrand, 1 East Parade, Sheffield S1 2ET. Telephone (0742) 729141.
Fax: (0742) 598202.

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The company has a unique and extensive library of ink forumulations.
A skilled labour force is available.
ENQUIRIES TO: THE LIQUIDATOR:
David B. Deasy, F.C.A., Ddeloitte & Touche, Chartered Accountants, Deloitte & Touche House, Earlsfort Terrace, Dublin 2, Ireland. Telephone: 353-1-4754433. Fax: 353-1-4756622.

Deloitte & Touche
Chartered Accountants

Cartographic Reproduction Business

The Joint Administrative Receivers E V L Blackwell and R Hocking offer for sale the business and assets of this well established company.

- Turnover £722,083 for the year ended 31 December 1992
- Situated at leasehold premises in Berkshire
- Large customer base located in UK and overseas

For further information please contact Eddie Blackwell or Martha Thompson. Stoy Hayward, 74 South Street, Reading, Berkshire RG1 4RA. Tel: 0734 585466 Fax: 0734 567782. Ref: MT/SS.55.

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Westlink provides local bus services in south west London and Surrey:

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- Approximately 200 employees

Potential bidders wishing to receive copies of the Information Memorandum relating to the sale should contact:

Tim Martin
Barclays de Zoete Wedd Limited
Ebbgate House
2 Swan Lane
London EC4R 3TS
Tel: 071 623 2323

BARCLAYS de ZOETE WEDD LIMITED

Issued by Barclays de Zoete Wedd Limited, a member of SFA and financial advisor to London Buses Limited in connection with the sale of Stanwell Buses Limited.

This advertisement does not, and is not intended to, constitute an offer for sale or an invitation to purchase, or otherwise acquire, any

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£ + − x ÷ % ? = £ + − x ÷ % ? £

THE LAKESIDE HOTEL
Northumberland

The Joint Administrative Receivers of Northumbria Hotels Limited, Lynn M Houghton and Jeffrey P Cawson offer for sale as a going concern "The Lakeside Hotel" a modern 20 bedroom hotel in south eastern Northumberland.

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For further information, please contact:-
Lynn Houghton or Neal Littlewood at:
BDO Binder Hamlyn,
21 Queen Street,
Leeds LS1 2TW.
Tel: 0532 440204
Fax: 0532 425938

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For further information contact the Joint Administrative Receiver, Peter Rilett, KPMG Peat Marwick, 15 Pembroke Road, Bristol BS8 3BG. Tel: 0272 484000 Fax: 0272 464058.

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BUSINESSES FOR SALE

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CONSTRUCTION CONTRACTS

Building power stations

Two power station projects worth £29m have been won by JOHN MOWLEM CONSTRUCTION. The Bromborough, Wirral office has been awarded a contract for the Peel 'B' power station, Isle of Man, by the Manx Electricity Authority.

The turnkey contract, worth over £19m, is for the design and construction of a diesel-engined power station which will eventually replace the Peel 'A' station now approaching the end of its useful life.

A £10m contract to provide the main civil engineering works for National Power's new combined cycle gas turbine power station on Deeside in north Wales has been awarded to Mowlem Civil Engineering, a division of John Mowlem Construction.

Being undertaken for main contractor NEI ABB Gas Turbines, the work comprises heavy foundations for the gas turbines and cooling towers, an elevated platform table for the steam turbine and the construction of steel-framed metal-clad buildings.

Simons busy

SIMONS CONSTRUCTION has been awarded new orders totalling more than £28m. The contracts are largely for existing clients and include Asda, Safeway, Granada, McDonald's and Texas Homecare, as well as B&Q.

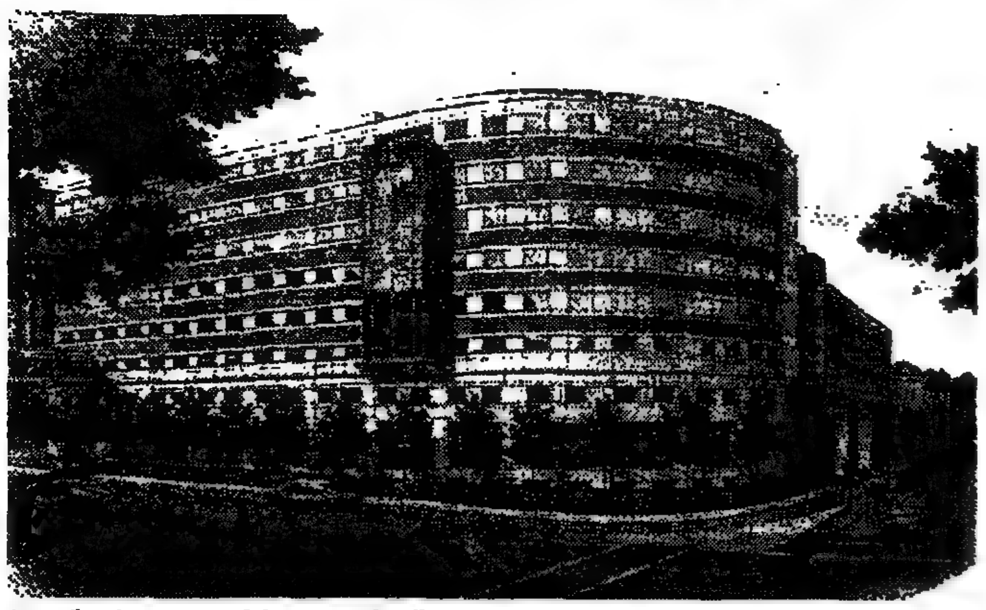
Airport plan

FRANKLIN & ANDREWS has been appointed by Cathay Pacific Airways as quantity surveyors on the construction of new CIP (commercial important persons) lounges at Kai Tak Airport, Hong Kong.

The scope of services includes full pre and post contract quantity surveying services on the whole development.

The fast-track project, which is valued at HK$70m (£5.9m), involves the construction of a single-storey building which will contain nine new CIP lounges for different airline companies which will be built on top of the existing airport terminal.

US healthcare facilities



An artist's impression of the proposed Nalle Clinic at The Presbyterian Hospital in Charlotte

McDEVITT STREET BOVIS INC, one of the Bovis Construction Group's three US subsidiaries, is building a particular reputation in the healthcare sector. Its latest success is a US$30m (£19.3m) contract for a 235,000 sq ft, eight-storey medical office building with an adjacent 1,500 space car parking deck in its home town of Charlotte, North Carolina.

The client is Presbyterian Hospital on behalf of the Nalle Clinic, a local group of 85 multi-disciplined doctors. Preconstruction work is already under way with the 14-month building programme due to begin next year.

Adding the Nalle Clinic to its list of on-going healthcare contracts gives MSB four projects for Presbyterian totalling some US$70m (£45m).

The company's penetration of the healthcare market has been increased by winning a medical office park in West Volusia, near Orlando in Florida, and a contract for additions and renovations to Titus County Memorial Hospital in Mount Pleasant, Texas.

In Cheverly, Maryland, MSB has won a contract to build an ambulatory services pavilion for Prince George's County Hospital. The 56,240 sq ft building will house surgical suites with outpatient, intensive care and research facilities.

Hong Kong housing development

GAMMON CONSTRUCTION, the Hong Kong-based company jointly owned by Trafalgar House Construction and Jardine Pacific, has been awarded contracts worth more than £82m in Hong Kong and the New Territories.

The largest is a £30m project for the second phase of the Hing Tung Estate at Shau Kei Wan West for the Hong Kong Housing Authority.

The company will build three 39-storey blocks containing 2,043 flats as well as kindergartens and community facilities. All associated drainage, roads, landscaping and playground areas are included in the contract which is scheduled for completion in April 1996.

Also under way is a £16m project for the third stage of the Lamma Power Station on Lamma Island, comprising a cooling water intake and associated works.

Other contracts involve site preparation for the Chek Lap Kok airport, refurbishment of vacant flats, road rehabilitation and civil works for Hong Kong Telecom; while a geological survey is being carried out on an industrial zone in Taipei, Taiwan.

Redpath Offshore, a member of the engineering division of Trafalgar House, has been awarded a contract worth about £35m by Elf Petroland B.V. of the Netherlands, for work on the K5 development project.

The contract awarded includes construction, procurement, pre-commissioning of the topside decks for three platforms to be located in block K5A of the Netherlands sector of the southern North Sea.

£17m combined courts centre scheme

Yorkshire-based LAING NORTH EAST has won the £17.6m contract to build Sheffield's new combined courts centre, project managed by PSA Projects.

The contract has been awarded by the Lord Chancellor's Department and will provide 10 crown courts, three county courts and four registrars chambers.

It will be built on a site north of the city centre in West Bar, home of various factories since 1794 and, more recently, used as a car park. Work will begin soon for completion in autumn 1995. The building will be on six levels including a semi-basement car park.

Tarmac to promote pioneering scheme

TARMAC intends to train unemployed people in building skills while constructing a training advice centre at Middlesbrough. The centre is designed expressly to teach new trades to people who are out of work.

The commitment to take people from the dole queue and to retrain them to work in the building industry is a condition of the £3.5m contract awarded to Tarmac Construction.

The build-and-train scheme has been agreed between Tarmac and a consortium of the Department of Employment's Job Match, Middlesbrough City Challenge and Middlesbrough Borough Council using "inner city" regeneration funds from the Government and Enterprise Commission.

The year-long building programme, taking up to 30 trainees, starts this month.

The training advice development centre at Berwick Hills, Middlesbrough, will be built for TAD, a company which has been formed by the Borough Council and Middlesbrough Training Economic Council.

People without jobs and who live within the regeneration area of the city, which covers a five mile radius, will be selected by Job Match, and trained in such skills as bricklaying, plumbing, painting, electrical installation, and clerical administration as the centre is built.

Under the scheme, which has the character of a pilot scheme, trainees will be paid out of public funds.

The expectation is that course members will be trained up to national vocation qualification part two standard. The hope is that after the scheme they will be fully qualified to work on other construction projects.

The three-storey centre will boast training and advisory facilities, as well as a restaurant, crèche, conference hall and administrative offices at ground level.

Hotel-style en suite rooms will provide residential accommodation on the upper two floors.

PEOPLE

Ford jumps ship from P&O

One of Lord Sterling's key lieutenants has decided to jump ship. Peter Ford, 54, who joined Jeffrey Sterling's Sterling Guarantee Trust in 1970, has resigned as an executive director of The Peninsular and Oriental Steam Navigation Company.

Ford is one of a small group of senior executives who followed Sterling around as he expanded out of the property business and took control of P&O. Ford, who has a Harvard MBA and has worked for McKinsey & Co, was appointed to the P&O board in February 1985 following its merger with Sterling Guarantee Trust.

During his time with Sterling he came to prominence as the chairman of P&O European Ferries during the strike. But he has done several other jobs including looking after the group's shopping and exhibition centres.

Most recently, Ford has been in charge of P&O's industrial services businesses, a large part of which were sold to Granada last month. Rather than move to another part of the P&O empire, Ford has decided that he would like to pursue his own interests outside the group. He is a past chairman of the Sheffield Business School.

■ William Boulton, chief executive, plant services, is to take early retirement from BET as from June 30.

■ TC Harvey, 74, a former private secretary to Queen Elizabeth the Queen Mother, has resigned as a director of Great Portland Estates. He was a partner in Mullens & Co, the government broker, until 1978 and joined the Great Portland board in 1982.

■ Michael Willis, president, ceo and founder of Talent Tree Personnel Services, a subsidiary of BET, has resigned.

■ David Clifton has retired from CRODA INTERNATIONAL.

■ David Porter has retired from JOHN MOWLEM.

■ David Hine has taken early retirement from BRITISH VITA.

■ Peter Jordan has retired from NORCROS.

■ Philip Pinnegar has resigned from CAPITAL RADIO.

■ Joining the tiny band – now three – of female trade union general secretaries from today is Judy McKnight, who becomes leader of the 7,000-strong National Association of Probation Officers. She succeeds Bill Beaumont who did the job for seven years.

McKnight has made her career in public sector unions; her last job was as assistant general secretary at the National Union of Civil and Public Servants. Before that, she worked for the Civil and Public Service Association.

■ Patricia Tindale, an architect and retired civil servant, has been appointed to the council of the British Board of Agrement, the quango that encourages innovation in the construction industry by assessing and certifying materials, components and systems.

Tindale, 67, trained as an architect at the Architectural Association. As a civil servant, she worked in the Welsh Office, Ministry of Education and the Ministry of Housing and Local Government. When the latter was merged into the Department of the Environment, Tindale was successively in charge of building regulations and housing development. Later director of the Central Unit of the Built Environment, she ended her civil service career as the department's Chief Architect.

The first woman to serve on the Agrement Board's council, Tindale currently chairs the NHBC/RIBA (National House Builders Council/Royal Institute of British Architects) Housing Design Awards Committee, and is a trustee of the Building Conservation Trust.

Non-executive directors

■ Paul Allaire, chairman of Xerox Corporation, and John Young, retired president and chief executive of Hewlett-Packard, have joined SmithKline Beecham, the Anglo-American drugs and consumer products group, as non-executive directors.

Allaire, 54, who has been chairman of Xerox since 1991, is also non-executive director of Sara Lee, the Chicago-based consumer products company, and Fuji Xerox Company.

Young, 60, retired as chief executive of Hewlett-Packard last year. He remains a non-executive director of the company, as well as of Chevron, the fourth largest US oil company, and Wells Fargo Company, the American bank.

They replace Ralph Pfeiffer, a non-executive since 1989. Pfeiffer, 65, was a director of SmithKline Beckman since 1980. He remains a non-executive director of the Royal Bank of Canada and Campbell Soup Company. He was also chairman and chief executive officer, IBM World Trade Americas/Far East Corp.

■ Sir Frank Layfield (below), inspector of the inquiry into the Sizewell B power station and former chairman of the inquiry into the Greater London Development Plan, as chairman of PUFFIN OIL.

■ Graeme Seabrook, soon to depart as md and chief executive, will remain on the board of KWIK-SAVE; Derek Cook, recently retired deputy chairman and group md of Pilkington, also at KWIK-SAVE.

■ Stephen Jarislowsky, president of Jarislowsky, Fraser & Company, has accepted an invitation by the independent directors of The Telegraph to serve on the board of SOUTHAM; the aggregate holdings of his company's various clients currently represent about 8 per cent of Southam's issued stock.

■ Percy Hawtin has retired from HAWTIN.

■ Alexander Waterkeyn has retired from MORE O'FERRALL.

■ Robert Louis-Dreyfus at SAATCHI & SAATCHI.

Sculpture/William Packer

Never had it so good

Sculptors may complain of the practical difficulties they face, and the lack of opportunities to show their work, but then sculptors in general do complain. Break through to any kind of critical or curatorial notice and the world, it seems, is theirs. The Henry Moore Institute, which was set up in Leeds 10 years ago for the study and encouragement of sculpture, as we saw last week, flourishes mightily. The Yorkshire Sculpture Park, now well into its second decade at Bretton Hall near Wakefield, has become one of the prime public attractions in the whole of the north of England.

There is sculpture now in Grizedale Forest, where sculptors from all over the world go to work on site, and in the Forest of Dean. From next month, some 60 sculptors, at the invitation of the Royal Society of British Sculptors and P&O, the shipping company, are to show their work at Chelsea Harbour in the largest-ever such show in London in the open air. Sculpture commissions and competitions proliferate. Every new development or office block, every refurbished city square, must have its proper monumental and celebratory piece. Birmingham's Victoria Square now has its Anthony Gormley and its Dhruva Mistry to set beside Her Majesty; the London Dockland's Development Board has its Nigel Hall, Michael Kenny and Zadok Ben-David each adorning one portico of the new Limehouse Link.

All this is as it should be, but it has a more regrettable side. The received wisdom is that it is sculpture the world wants to see – a self-fulfilling limitation at best. So it is that sculpture has come to dominate such treats as the Turner Prize, the New Contemporaries and the Barclay's Young Artist Award. Sculpture it was that supplied the Hayward's latest comprehensive survey of recent art. When did the British Council last give the British Pavilion at the Venice Biennale to a young painter? Only 21 years ago? Surely not. Could it be that sculptors will form the British contingent to the *Aperto*, that is always dedicated to younger artists, at this year's Biennale? Don't ask.

But it is the work that counts, and our galleries, squares and gardens are full of it. David Nash is a wood man, working, as the title to his current show tells us, *At the edge of the forest*. He burns, scrapes, chops and saws his way into the living wood, improvising and responding to the particular chance of form and context. He does only what is necessary to realise the particular image he has decided upon in general terms, which is not to say that he does not work with extreme technical refinement and sophistication. Rough-hewn and unpolished his surfaces may be, but exquisitely so.

These tall, simple, ambiguous modern totems confirm rather the more monumental than the wry and playful qualities of his work, with the forms often simplified by the optical density of the carbonised surfaces. The exception is the floor piece that consists of lumps of charred oak interspersed with somewhat clumpier carved lumps of alder, set out as it were in a fairy ring. Materially seductive though it is, its essentially *arbitrary* and precious aestheticism soon takes over. He is a better artist than that.

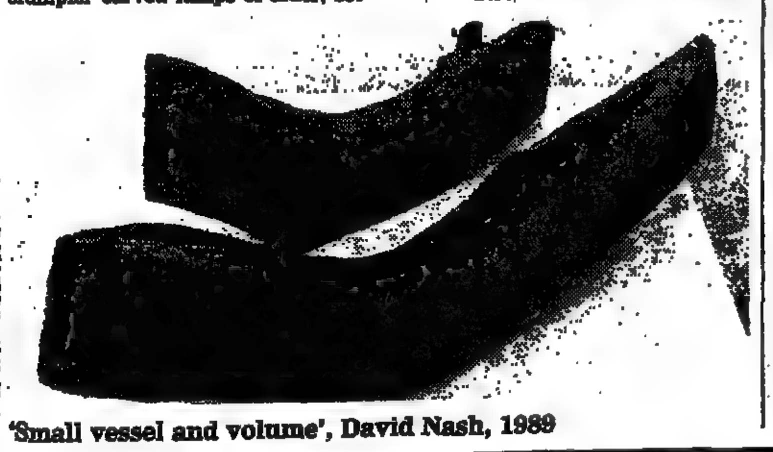
Anish Kapoor, our hero at Venice in 1990 and last year's Turner laureate, is another carver and splitter and opener-up of secret cavities, though of stone. His new work continues his preoccupation with the cavity, so deep, secret, unfathomable, impenetrable, the interior space invested with blue or magenta pigment so dense as to seem all but solid. But now he pierces the cavity at its furthest side, a little to relieve the secret perhaps, if not release it. Or, having smoothed a facet of his rough block of stone, he then carves within the cavity a swelling, amorphous form. Here, he seems to say, is the eternal egg, or the *omphalos* of the Sybil, that might reveal the secret of the universe. For Kapoor's work is nothing if not fraught with symbol and ambiguous possibility, pervasively sensual, inescapably sexual.

Paul Neagu's symbolism is more recondite and idiosyncratic, founded in personal *metaphysics* and cosmology. His eight *Catalytic stations*, set out in a ring beside the Economist Building in London's West End, are for him, like the stations of the Cross, individual points of contemplation and realisation, yet part of a coherent whole. Together they represent the full range of the formal imagery he has developed over the years – the broken star, the rectangle held aloft, the splayed, extended feet of the tripod.

The artist's own interpretation and intention are, of course, for us to take or leave as may be. What remain are objects beautifully made, sculpturally complex yet resolved with a wonderfully ingenious and satisfying simplicity.

Each summer, the New Art Centre's sculpture garden at Roche Court in Wiltshire allows young and comparatively unknown sculptors to show alongside their established peers – to say nothing of Moore, Hepworth, Gill, Frink – and in a most beautiful setting. Notable in this year's large selection are Anthony Gormley, whose sentinel-figure stands alone in the bluebell wood above the garden, Katherine Gigli, Mark Dunhill, Kim Lim, Phillip King, Barry Flanagan, Peter Randall-Page, Peter Logan, whose metal rods swing in the wind, Bryan Kneale, Sven Bayer with his large garden pots, and Sarah More, with some fine carved lettering.

David Nash – Sculpture & Projects 1989-1993: Annely Juda Fine Art, 23 Dering Street W1, until June 19. Anish Kapoor: Lisson Gallery, 67 Lisson Street NW1, until May 20. Paul Neagu – Eight Catalytic Stations: the Economist Plaza, 25 St James's Street SW1, until May 15: in association with Flowers East, 199 Richmond Road E8. The Roche Court Sculpture Garden, East Winterslow, nr Salisbury, Wiltshire, every weekend until the end of September, or by appointment through the New Art Centre, 41 Sloane Street SW1 – 071 235 5844.



'Small vessel and volume', David Nash, 1989

Opera/Max Loppert

La Gioconda

In the current, outstandingly successful season at Opera North, the mixture of rare and repertory operas seems to have been calculated with greater boldness than ever. With the new staging of *La Gioconda*, an opera not given in any mainstream British house for more than 60 years, the company and its departing general administrator, Nicholas Payne, demonstrate once more the tonic wholeness of their artistic vision.

They understand that the blood-and-guts enjoyment afforded by Ponchielli's 1876 potboiler is not to be despised, since it can provide – when delivered with all the zest and enthusiasm of Saturday's performers – a strong, savoury complement to the more substantial experiences supplied by this season's Gerhard, Mozart, Verdi, Britten and (still to come) Berg.

This opera is often clamoured for by audiences hungry for elemental operatic thrills, seldom tackled outside Italy and beyond the New York Met. Both clamour and opera-house reluctance are easily understood. The demands *Gioconda* makes are Grand-Operatic in the Meyerbeer sense – six front-rank voices cased in house-filling personalities, not to mention substantial choral and dance troupes and scenic effects, all fully employed through four long acts. Yet the elevated music-drama already worked up by Verdi (in *Don Carlos* and *Aida*) out of similar Meyerbeerian forces and theatrical propositions remains obstinately out of Ponchielli's reach.

It is no less easy to be dismissive about this opera. In a memorably snooty sentence Shaw regretted "the mischief which great men" – he meant here Verdi – "bring upon the world when small men begin to worship them". Boito's adaptation of the Victor Hugo play *Angelo, Tyran de Padoue* bursts with the overblown language that he would use again in *Otello* and *Falstaff*, but desperately lacks the taut, coherent scene and character-planning of those two Verdi masterpieces; with the benefit of hindsight one can recognise in the operatic Iago a "fulfilled" version of Barnaba, the spy whose tiresome one-note villainy moves the *Gioconda* plot on each of its jerky stages.

Yet in a small theatre, with a cast brilliantly chosen for the particular revival context, with an elegantly designed production (by Philip Prowse), charged to distil suggestive Venetian atmosphere and fantasy from lamps, swags of cloth and coloured streamers, and with a conductor (Oliver von Dohnányi) refreshingly responsive to the needs of singers, orchestra, chorus and production team all at one go – in these circumstances, the tremendous vitality of *La Gioconda* became harder to gainsay with each passing moment.

Opera North's is not an "ideal" revival: *ça va sans dire*. Cuts dictated by budgetary constraint remove "The Dance of the Hours" and splice together, ingeniously and naughtily, the first two acts. Prowse's Victorian-era updating adds its own special appeal but also, in Act 1, an additional element of confusion. On Saturday the veteran Australian Clifford Grant, back in Britain after an absence of nearly two decades, sounded below form as Alvise, though still in command of a sizeable bass voice. Keith Latham, Barnaba, is a capable baritone short on tonal "spice" and uncomfortable in Italian (altogether, an English translation is badly missed).

But the others went through their scenes and routines with excellent vigour, making one admire the individual stamp of the applause-wooing melodies Ponchielli shared out between them. Catherine Wyn-Rogers, a quietly glowing Cieca, and Sally Burgess, a lustrous, glamorous Laura, both wanted only the final degree of punch at the top – Miss Burgess's marvellously succulent shaping of words and notes was continual compensation.

Edmund Barham's tirelessly ringing Enzo discovered much, not all, of the romance in his phrases. And Rosalind Plowright, having weathered a period of vocal troubles to emerge with dramatic soprano newly malleable and colourful, brought to the title role a handsome measure of the required sumptuousness. Operatic pleasure comes in many kinds; on Saturday, the response of the Opera North audience left no doubt that full-blooded Italian opera offers some of the most simply gratifying of all.

Rosalind Plowright: newly malleable and colourful in the title role of Opera North's La Gioconda

(sponsored by Peter Moores Foundation; in repertory at Grand Theatre, Leeds, until May 20, then on tour to Manchester, Nottingham, Hull and Sheffield)

Concerts in London/Richard Fairman

Visiting orchestras

The debate over whether to keep May Day as a public holiday in Britain has attracted a lot of attention this year. Morris dancers set up their maypoles outside the Houses of Parliament – but, unknown to them, the finest May Day celebration was being held in South Kensington.

On Saturday, at 10.30am, the Berlin Philharmonic gave its annual Europa concert at the Royal Albert Hall. As it seemed impossible to buy a programme, I am unable to give any details as to what the Europa concert entails. If, however, it means an event of this quality every May 1, well attended, put on at prices the average music-lover can afford, May Day should be declared a public holiday in perpetuity forthwith.

It is still a novelty for audiences in Britain to encounter this orchestra under a conductor other than Herbert von Karajan. (During Karajan's long reign the orchestra's visits here were in any case relatively infrequent; Paris was favoured and always seemed to get the more interesting programmes.)

There has been much discussion as to what has happened to the orchestra's playing in the post-Karajan era. Is its distinctively rich and burnished quality still in place? Has it become a more standard international orchestra? Obviously Bernard Haitink will have imposed his own requirements on the players, but the immaculate, warm blend of the sound all the way through Tchaikovsky's *Romeo and Juliet* Fantasy Overture was the pure Berlin Philharmonic original, simply matured over the years.

It was a lean programme – one and a half hours of music, straight through, no interval. After the Tchaikovsky, the orchestra slimmed its ranks and lightened its touch to accompany Frank Peter Zimmermann in Mozart's G major violin concerto, an exquisitely poised slow movement spoiled only by what sounded like newly-installed air conditioning, humming away inconveniently on a G sharp throughout.

Then, finally, as immaculately-played a performance of Stravinsky's *Rite of Spring* as one could hope to hear. Every page of the score gave evidence of having been phrased, balanced, listened to with a fresh ear. I shall mention only one instance: the subtle blending of exposed octaves through the orchestra at the beginning of part two, which evoked so powerfully the haunting wail of mystic rites, perhaps half-glimpsed in the distance. Haitink, who has conducted this score as a staged ballet, paces it unerringly. The final dance of each section was thrilling.

It was fortunate for the Indianapolis Symphony Orchestra that its London concert fell the evening before, not the evening after. The American orchestra is on a European tour with Raymond Leppard, in his fifth year as music director, and it would seem a very worthwhile visitor, if such comparisons had not been to hand.

This is a new-world orchestra, with sound proficiency and determination to match. Even without the contrast of the Berlin Philharmonic, the orchestral sound would have an industrial-belt hardness and vigour. The brass predominate, not swamping the other sections, but prominent enough to give a strong metallic core. Strings wanted subtlety of colour; they did not provide balm when it was required.

For all its good features, the orchestra's playing was not quite expressive in either Bruch's first violin concerto or Elgar's *Enigma Variations*. Rhythms were marked with a degree too much force; phrases were shaped dogmatically, as though the music was not being felt from within. The soloist in the Bruch was Dmitry Sitkovetsky, whose almost glaringly bright and authoritative playing was equally impressive, rather than moving.

To start, the orchestra had given us its American calling-card, William Schuman's *New England Triptych*. This is a brief concerto for orchestra, which gives each section the opportunity to shine. With their technical dexterity the Indianapolis players did so. A strong American contingent in the audience at the Barbican did not let their virtues go unrecognised.

Berlin Philharmonic concert sponsored by Daimler Benz. Indianapolis Symphony Orchestra concert sponsored by American Airlines.

Theatre/Malcolm Rutherford

The old order changes

The Studio at the Royal National Theatre is less well known than it ought to be to the general public. Physically, it exists in a lot of space at the Old Vic, provided rent-free by the Old Vic owner, Ed Mirvish. The funding for its work is largely (and slightly mysteriously) private: the names of its benefactors have not been published. Its purpose is research and development and the encouragement of new talent, not just for the RNT but for British theatre as a whole. Most of its works are shown only to invited audiences.

There is now an opportunity to see more widely what the Studio is up to. Last Saturday three new plays, developed at the Studio, were shown at the Cottesloe. More are to come and the Springboards season, as it is called, will be extended around the country.

This was the second time in two weeks that I spent almost an entire day in a theatre, the previous occasion being Bill Morrison's trilogy, *A Love Song for Ulster*, at the Tricycle. It is an exhausting, but ultimately rewarding and mind-changing experience. Seen on separate days, the three plays at the Cottesloe might look thin, with the quality of the acting and the direction far outstripping that of the writing. Seen on the same day, the writing looks much less random. There is almost a common theme, which is that there is not much to laugh about, or even to hope for, in contemporary Britain. All three plays show societies breaking down, though each has at least one character either striving for something better or trying to preserve the best of the old.

Hove is a collaborative work without a single author by the Talking Tongues Company. It is set in a boarding house in that amorphous area somewhere between where Brighton ends and Hove begins. One of the guests, a specialist in sea studies played by Alan David, has been there for 25 years: he still prefers to talk to the sea rather than to the other inhabitants. The landlady, majestically performed by Lindy Alexander, plainly thinks her place is a cut above the rest: special cooking, special rules.

That is not how others see it. A married local councillor has been keeping his girlfriend there for some time, both preserving the fiction that he is more important than he is. The arrival of Clare (Rachel Joyce), who may be an artist but has a touch of the property developer about her, disturbs any calm the place may claim. The words "dead house" are painted on a wall. The landlady's son covers himself with petrol, then departs with a box of matches. In short, the old house, the old order, is falling down.

Hove is not a finished play: too much is left unexplained – the apparent suicide, for example. But played as it is at the Cottesloe, and directed by David Farr, it is certainly haunting.

The Neighbour, by Meredith Oakes, is set outside one of those tower-block council estates that one thought were no longer being built. It also seems slightly odd in the 1990s that the inhabitants are all white. The characters live in fear and mutual suspicion. Only one of them – John, played by Ben Chaplin – has much in the way of aspirations: he wants to repair old furniture. His mother throws it out; another boy sets fire to it, as being fit only for yuppies and not even worth nicking. John tells the police and the community closes in on him for grassing. He dies, having drunk a bottle of vodka as a dare to prove himself to his contemporaries. Alcohol plays a strong role in all three plays.

I found *The Neighbour* needlessly brutal. Yet set against Judith Johnson's *Somewhere*, which is the best of the bunch, it falls into context. Here are people without much money, without decent jobs and without much hope. They are not down-and-outers: somehow the social security must provide, but ambition is almost unthought of.

In *Somewhere*, set initially round Merseyside, the best hope for the girls is to go to Manchester to work as escorts for tired businessmen. Later they move to Amsterdam where being on the game is open. For one of the boys the only hope is the army. What I admire most about the play is that, despite all of that, Ms Johnson has written a love story. That is a bold thing to do in such a setting in 1993. Dawn, the long-time prostitute, is ultimately reunited with her soldier lover. In a way, society has held together. Dawn is magnificently played by Katrina Levon and the direction by Polly Teale is faultless.

In repertory, Cottesloe Theatre until May 15

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

Muziektheater Main event this week is premiere on Fri of new production of Le nozze di Figaro, conducted by Nikolaus Harnoncourt, staged by Jürgen Flimm, with cast led by Olaf Bär, Charlotte Margiono, Alastair Miles and Isabelle Rey (also May 9, 12, 14, 17, 19, 22, 24, 27, 29). Tonight: Graeme Jenkins conducts final performance of Tim Albery's production of Catalani's La Wally, with Janet Cessna and Barry McCauley (625 5455)
Concertgebouw Thurs: Raphael Oleg violin recital. Sat: Verdi's Requiem (24-hour information 675 4411, reservations 671 8345)
Beurs van Berlage Thurs, Fri, Sat, Sun: Istvan Parkanyi conducts Netherlands Chamber Orchestra in Telemann, Bach and Mendelssohn (627 0466)

■ ANTWERP

ANTWERP '93
Thurs at **deSingel**: Pierre Boulez conducts works by Schoenberg, Stravinsky and Birtwistle, with piano soloist Mitsuko Uchida. Fri: David Shallon conducts Royal Flanders Philharmonic Orchestra in Mahler's Fifth Symphony. Fri, Sun, next Tues: Red Rubber, Dirk D'Haese's new opera about Belgian colonialism. Sat at St Augustinus: Huelgas Ensemble in Lassus' Lagrime di San Pietro (226 9300)
OTHER EVENTS
Nathalie Stutzmann gives a song recital tomorrow at **deSingel**, followed on Mon by New Belgian Chamber Orchestra in a Schubert programme (248 3800). Imre Pallo conducts concert performances of Attila next Tues and Fri at **Koningen Elisabethzaal** (233 6685)

■ BRUSSELS

Monnaie Tonight, Thurs, Sun (also May 13, 15): Marcello Viotti conducts Simon Suarez's new production of Anna Bolena, with Nelly Miricioiu and Martine Dupuy. Sat: Hans Peter Blochwitz song recital (219 6341)
Palais des Beaux Arts Sun afternoon: Pierre Bartholomée conducts Liege Philharmonic Orchestra in works by Strauss, Dvorak and Rakhmaninov, with cello soloist Mischa Maisky. Sun evening: Marcello Viotti conducts Orchestra of the Monnaie in Cherubini, Mozart and Schubert, with piano soloist Alexander Madzar. Next Mon: Rosamunde Quartet (507 8200)
Eglise Saint-Julien Sun: Tom Cunningham conducts Brussels Choral Society and Orchestra in works by Mozart (721 2447)
Théâtre National The Conquest of the South Pole, Manfred Karge's play about five unemployed young men dreaming of adventure, runs daily till Sun (217 0303)

■ CHICAGO

Orchestra Hall Thurs, Fri, Sat: Daniel Barenboim conducts Chicago Symphony Orchestra in works by Ran, Busoni and Brahms (435 6666)

■ GENEVA

Samuel Ramey stars in a new production of Boris Godunov at **Grand Théâtre**, opening on Sat with seven further performances till May 24. Edo de Waart conducts a staging by Stein Winge (311 2311)

■ THE HAGUE

Danstheater Tonight, tomorrow, Thurs: Nederlands Dans Theater in choreographies by van Manen and Kylian. Sun and Mon: Dutch National Ballet in Peter Wright's production of Giselle (360 4930)
Dr Anton Philipszaal Tomorrow: members of Hague Philharmonic Orchestra play chamber music by Dvorak and Wernick. Thurs and Fri: Franz Welser-Möst conducts Hague Philharmonic in Mahler's Second Symphony. Sat: Ton Koopman conducts Amsterdam Baroque Orchestra in all-Mozart programme. Sun afternoon: Jean Fournet conducts Radio Philharmonic Orchestra in Roussel and Shostakovich (360 9810)

■ UTRECHT

Vredenburg Tonight: Ton Koopman conducts Radio Chamber Orchestra and Chorus in works by Handel. Fri: Dresden Vocalists in works by Schubert, Schumann, Marschner and others. Sat: Franz Welser-Möst conducts Hague Philharmonic Orchestra and Chorus in Mahler's Second Symphony. Sun noon: Ton Koopman conducts Amsterdam Baroque Orchestra in Mozart. Sun evening: Frans Brüggen conducts Orchestra of 18th Century (314544)

■ VIENNA

MUSIC
Staatsoper Tonight: Il barbiere di Siviglia. Tomorrow and Sat: La forza del destino with Julia Varady. Thurs: Ariadne auf Naxos. Fri and next Mon: Minkus' ballet Don Quixote. Sun: La traviata (51444 2955)
Musikverein Tonight: Richard Hickox conducts City of London Sinfonia in works by Haydn, Krommer, Berkeley and Mozart, with clarinet soloist Andrew Marriner. Tomorrow, Thurs, Fri: Vladimir Fedoseyev conducts Vienna Symphony Orchestra in Beethoven, Prokofiev and Berlioz, with violin soloist Julian Rachlin. Sun: Alexander Rahbari conducts Tonkünstler Orchestra and Slovak Philharmonic Chorus in Dvorak's oratorio Saint Ludmilla. Next Mon: Raymond Leppard conducts Indianapolis Symphony Orchestra (505 8190)
Konzerthaus Tonight: Ivan Moravec piano recital. Fri and Sat: Anner Bylsma plays Bach cello suites. Sun morning, next Mon evening: Heinz Holliger conducts Vienna Philharmonic Orchestra in the 1913 scandal concert programme (712 1211)
THEATRE
A new production of Pirandello's Six Characters in Search of an Author, directed by Cesare Lievi, opens on Sat at **Akademietheater** (51444 2959).
The **Burgtheater** repertory includes Dürrenmatt's The Visit, Goldoni's The Impresario of Smyrna and Peter Turrini's new play Alpenglühen (51444 2218).
Volkstheater has a new production of Ibsen's The Master Builder (932776). Peter Shaffer's Lettice and Lovage has just opened at Vienna's **English Theatre**, daily except Sun (402 1260)

■ WASHINGTON

Kennedy Center
Tonight's National Symphony Orchestra concert, conducted by Yuri Temirkanov, features works by Tchaikovsky, Musorgsky and Stravinsky. Temirkanov conducts a second programme, including Brahms' First Piano Concerto (Yefim Bronfman), on Thurs, Fri and Sat. Sun afternoon: Vladimir Ashkenazy conducts Cleveland Orchestra in Rakhmaninov and Dvorak. Sun evening: Jessye Norman song recital.
There are daily performances of Oleanna, David Mamet's play about political correctness and sexual harassment, plus the musical Guys and Dolls, May 12-16: Washington Ballet (202-467 4600)
THEATRE
● Mother Courage: Pat Carroll gives an outstanding performance in Brecht's play. Till May 16 (**Shakespeare Theater** at the Lansburgh 202-393 2700)
● Our Country's Good: Timberlake Wertenbaker's award-winning play about the civilising nature of art. Till May 22 (**Signature Theater** 703-685 4331)
● The Play's The Thing: P.G.Wodehouse farce about the difficulties of mixing reality with fantasy. Till May 23 (**Washington Stage Guild** 202-529 2084)
JAZZ/CABARET
Blues Alley Jazz Supperclub Daily till Sun: vocalist Joe Williams (1073 Wisconsin Ave, in the alley, 202-337 4141)
Barns of Wolf Trap Fri: John McCutcheon, singer songwriter. Sat: evening of comedy. Sun: Smith Sisters, country songs (1624 Trap Road, Vienna, Virginia, 703-218 6500)

■ ZURICH

Opernhaus The main event this week is the premiere on Sat of Nikolaus Lehnhoff's new production of Don Carlo, conducted by Adam Fischer, with a cast led by Francisco Araiza, Ruggero Raimondi, Thomas Hampson and Gabriela Benackova. Repertory also includes Il barbiere di Siviglia on Thurs, Die Zauberflöte on Fri and Tosca on Sun.
Next Mon: Alban Berg Quartet (262 0909)
Tonhalle Tomorrow, Fri: Yutaka Sado conducts Tonhalle Orchestra in works by Ravel and Brahms. Tomorrow's concert includes Mozart's Concerto for two pianos (Joseph and Anthony Paratore), while the Fri concert features the world premiere of Takemitsu's new Viola Concerto (Nobuko Imai). Sun: Edmond de Stoutz conducts Zurich Chamber Orchestra in Sibelius, Schumann and Saint-Saens, with violin soloist Christian Tetzlaff (261 1600)

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Friday Super Channel: European Business Today 0730; 2230
Sky News: Financial Times Reports 0530
Saturday Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230
Sunday Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

Arts Guide
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Wednesday: France, Germany, Scandanavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

The G7 has established a new credibility but much has yet to be done, says **Peter Norman**

From Sinatra to Sinatra-plus

Four months ago it was a joke. It now looks as though we are going to have to take the Group of Seven seriously again.

After last week's spring meetings of the International Monetary Fund in Washington, economic policy co-ordination is looking in better fettle than for many years.

The G7 finance ministers and central bank governors from the US, Japan, Germany, France, Britain, Italy and Canada not only managed to meet without squabbling. They put their names to mutually reinforcing measures designed to return the world economy to faster growth and less unemployment. They also broadened their present efforts to co-ordinate economic policy to include long-term issues such as labour market reform and curbing health care costs.

The day after Thursday's G7 meeting, they gathered with representatives of the developing and former communist countries in the IMF's policy-making Interim Committee and turned their commitment to growth into a global effort. The Interim Committee appointed a referee – the IMF – to blow the whistle and cry foul if any country's economic and exchange rate policies threaten to create currency turmoil and upset the international community's efforts to achieve greater growth.

That was the good news. But past experience tells that there is many a slip twixt cup and lip in international economic policy co-ordination.

The goal of sustained non-inflationary growth is not new. It was trumpeted by the G7 and others in the 1980s only to be followed by the near stagnation of global economic output in 1991 and recession in many industrial countries including the US, Britain and Canada.

Recession has now spread to Germany and the European continent while Japan is suffering its most worrying economic slow-down since the second world war. It does not require a cynic to see how the G7 countries can unite in their concern to foster growth and job creation.

The one step that could give a boost to global growth prospects – completion of the Uruguay Round of trade liberalisation talks – remains uncertain. The G7 ministers last week repeated that a further opening of the international trading system was indispensable for maximising world growth, while President Bill Clinton pledged "exceptional efforts" to bring the round to a close by the end of this year.

But finance ministers can only exhort on trade issues while trade and agriculture ministers have in the past shown themselves impervious to their pleas.

The US itself displays a curiously split personality to the outside world. Hours after Mr Clinton made his pledge on the trade round, his administration launched a volley of trade sanctions against Japan, Brazil, India and several other trading partners. This is a peculiar way of demonstrating liberal intentions.

In the international monetary arena, Mr Lloyd Bentsen, the US Treasury secretary, has not been averse to treading on his partners' toes. The courtly Texan let drop his customary mask of benevolence when he talked up the yen in the weeks ahead of the G7 meeting, much to the annoyance of the Japanese government. However, he skilfully defused the issue by the time of the Washington gathering by permitting the US Federal Reserve to intervene shortly before the meeting to curb the yen's rise.

The G7 is therefore still operating according to the Sinatra Doctrine, by which its members clearly put their own economic policy priorities first and "do it my way" in terms of policy making. But Mr Horst Köhler, the state secretary at the German finance ministry and one of the chief G7 fixers, insisted last week that there has been a qualitative change in policy co-ordination. "It is now Sinatra-plus," he said.

Certainly the contacts among the G7 countries have intensified since the Clinton administration took office. Last week's meeting was the third in as many months at ministerial level. The senior finance ministry officials who do so much of the work preparing the meetings now have a telephone conference line arranged to improve communications.

Among the ministers, there seems to be a genuine spirit of goodwill. Mr Bentsen can claim much of the credit for this since first calling for a strengthening of the G7 co-ordination process in January.

Under the Bush administration, America's partners learned to construe Washington's occasional urge to co-ordinate policies as an attempt to secure US policy goals with other peoples' money and effort. Mr Bentsen has avoided giving this impression, stressing the benefits of joint action. He has been careful to avoid megaphone diplomacy.

Looking back over the past three months, there is much that the group can be pleased about. Economic policies in the big industrial countries are in better balance since the US took steps to reduce its budget deficit; Japan announced a fiscal package to boost its economy and the Bundesbank embarked on a programme of cautious but relatively frequent interest rate reductions.

The G7 also has completed arrangements to set up a nuclear safety fund to deal with the dangers caused by Chernobyl-style nuclear reactors in the former Soviet Union. In mid-April the group agreed a package of aid measures for Russia which may have strengthened the hand of President Boris Yeltsin ahead of his referendum victory.

Inevitably, more needs to be done. Because of their powerful position in the world, the G7 countries carry the overwhelming responsibility for bringing the Uruguay Round trade negotiations to a successful conclusion. Further efforts will be required in the years and months ahead to cut the US budget deficit, stimulate growth in Japan and reduce interest rates in Europe.

But it is difficult not to agree with Mr Bentsen's verdict on events since he set out to revitalise the G7. "Not bad for the first 100 days," he said.

Good soldier's bitter end

David Buchan looks at the lasting consequences of Pierre Bérégovoy's death on French politics

Pierre Bérégovoy: his death may bring together the warring ranks of his own faction-torn socialist party

France, or at least the entire French political world, is still in shock after Pierre Bérégovoy's suicide on Saturday. The self-administered death of the former prime minister, little less than a month after leaving office, has put a temporary freeze on all political activity and on the announcement this week of a new government programme.

The wider inquest on the death of Mr Bérégovoy, who will be buried today in the central French town of Nevres, has already begun. The immediate reaction of many politicians has been to take the tragedy out on the press.

Few were as extreme as Mr François Léotard, the defence minister, who yesterday implicitly accused "certain media" of the "murder" of the former prime minister by allegedly hounding him over an interest-free property loan which Mr Bérégovoy received from a dubious business acquaintance.

Other, more thoughtful politicians acknowledged that Mr Bérégovoy's death could have as lasting consequences a reinforcement of the already-emollient political style of Mr Edouard Balladur, who succeeded Mr Bérégovoy at the Hotel Matignon, the prime minister's residence, and an accelerated drive within Mr Bérégovoy's faction-torn socialist party to close ranks and to rebuild itself.

There is also the unknowable effect of the tragedy on President François Mitterrand's desire to stay out his two remaining years in the Elysée, after the loss of someone who was among his most loyal – yet, by some accounts, most abused – lieutenants.

It is impossible to be precise about the consequences of a tragedy because no one knows what exactly led to it. Mr Bérégovoy left, as far as is known, no suicide note.

The dramatic headlines all came yesterday – France has few Sunday newspapers to do justice to something that happens on a Saturday, the day Mr Bérégovoy shot himself with his bodyguard's revolver.

But none was as expressive as Le Figaro's cartoon, showing the former prime minister ascending to heaven with the French republic's symbolic figure of Marianne simply asking "Pourquoi?".

By choosing to take his life on May 1, Mr Bérégovoy seemed to want to leave a message. For this metalworker-turned-prime minister, the date had great symbolism, not only politically but also personally. As he recounted several times, it was on May 1 that at the age of 17 he got his first job on the railways in 1942, that on demobilisation from the army in 1946 he became a salesman for Gaz de France, the state utility, and that years later, in 1981 he became President Mitterrand's first chief of staff at the Elysée. But what the precise message was may forever remain obscure.

Some fellow Socialists, including his brother Michel, were quick to say the last straw for Mr Bérégovoy was the revelations in February this year that he had borrowed FFr1m (£120,000) interest-free from the late Roger-Patrice Pelat to help buy a small apartment in Paris's smart 16th arrondissement after the Socialist defeat in 1986 interrupted his stint as finance minister.

Certainly, he had weathered other scandals that had broken around him, such as the case of alleged insider trading concerning Péchiney's purchase of Triangle in 1988 and involving Mr Pelat again and Mr Bérégovoy's own chef de cabinet when Mr Bérégovoy returned to the finance ministry in that year.

The Pelat loan affair, breaking less than a month before the March parliamentary elections, must have been particularly galling for Mr Bérégovoy, who had always vaunted his honesty and who made stamping out corruption a particular theme of the premiership that he assumed in April 1992.

Was the rhetoric of the victorious right responsible for making Bérégovoy crack?

But Mr Bérégovoy's explanation of the loan, and in particular his repayment of it by the end of 1992, were accepted with little demur, and neither the press nor his political opponents made much of it during the campaign. It was hardly the vendetta that Mr Léotard, who has had his own real estate dealings subjected to judicial inquiry, seemed to suggest yesterday.

Was the rhetoric of the victorious right responsible for making the former premier crack? Certainly, leaders of the new centre-right government did not spare Mr Bérégovoy and his colleagues in their condemnation of the Socialists' management of the economy. Even Mr Balladur got carried away a bit on the campaign trail, in claiming that the Socialists were leaving the economy "in its worst state since the second world war".

Certainly, France's public finances, especially its social security deficits, are in a mess, and Mr Bérégovoy was said to have been nervous about the "audit" of state finances, which was to have been published yesterday, but which Mr Balladur has now delayed. But such "audits" are not unusual measures for an incoming administration to take. The Socialists did the same when they first took power in 1981. It is a standard political means by which a new government paves the way for unpopular measures such as the tax increases that Mr Balladur plans.

The bitter pill of parliamentary defeat might have been sugared for Mr Bérégovoy, had Mr Balladur publicly acknowledged the good part of his inheritance from his predecessor – the strength of France's money and its trade balance. For Mr Bérégovoy rightly prided himself on his sound management of France's external economic position.

Again, it must have been galling for the Socialist former prime minister to see French interest rates falling – partly on the markets' confidence in so strong a new conservative government, but also partly because of the fortuitous decline in German rates – so soon after his departure from the Matignon and before the new government had the time to put any new policies into action.

If the Balladur government were rabidly reactionary, one could speculate that Mr Bérégovoy's tragic demise might have a moderating effect on it. But it is not, and there are probably enough centrists to prevent it taking such a course in the future.

Aside from removing one of its few working-class leaders, the long-term effect of Mr Bérégovoy's death on his own party may be to bring its warring ranks together. The former prime minister had tried to stay on good terms with both Mr Laurent Fabius, the Mitterrandist party boss, and with Mr Michel Rocard, the party's presidential contender in 1995, who recently toppled him.

Mr Bérégovoy's role as the unfortunate captain who went down with his governmental ship in March was not really a bone of contention in the Fabius-Rocard row. His role was strongly criticised by the left-wing Mr Jean-Pierre Chevènement, but the latter has since left the party.

Yet, probably the bitterest thing which Mr Bérégovoy had to swallow in his long career was that President Mitterrand left it until the party was crumbling into internecine warfare and the economy sliding into recession to name him to the top government job.

On entering the Matignon, he is said to have commented bitterly of his predecessors: "The president chose Fabius because he was the youngest, Rocard because he was the most brilliant, Cresson because she was a woman. Finally, he named me, when it was already too late."

Nonetheless, the good soldier plugged on, apparently believing that some miracle might turn up. He even bravely deluded himself that he could do something about rising unemployment, an issue which mattered greatly to this former union organiser. But no miracle ever materialised.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Effective learning and accuracy in school tests

From Professor Paul Black.

In his article on "Hidden flaws in school testing" (April 29), Lord Skidelsky argues that we should separate the two functions of assessment and testing. His vision is that externally set tests should be used to pass judgments on teachers' performance, while assessments designed to support learning should be left to schools. A national assessment system "simplified" in this way promises to reduce the burden of testing on schools.

There are several reasons why the Task Group on Assessment and Testing did not recommend such a system in its 1988 report. Short external tests are likely to give unreliable results, placing a substantial proportion of pupils in the wrong grades or levels. The School Examinations and Assessment Council does not have a research programme to determine the possible error in the current national tests. In view of research evidence about error in such tests, this is unacceptable – the public needs to have such evidence. National assessment results are not only used to judge teachers, they give important evidence about every individual pupil; errors mean both that injustice is done and that inaccurate guidance is given about learning needs.

A further reason is that short and apparently simple tests cannot measure important outcomes of learning, yet they have a strong influence on teaching. Given that test results are to be used to judge them, teachers are bound to direct their teaching to maximise test scores. This usually reduces to drilling pupils to produce short answers to sets of questions, each of which tests small fragments of knowledge devoid of any purposeful context. The evidence about pupils' learning is that such an approach is harmful.

A recent survey of science teachers on the effects of testing at age 14 in 1992 revealed that most believe that those tests have had the narrowing and negative effects on their teaching that could have been predicted. However, it should not be necessary to research the damage in our own schools to test the argument. Most of the state testing systems in the US have been using, for many years, the type of approach that Lord Skidelsky is recommending. Most of them are now abandoning this "economical" testing and engaging in programmes to develop "authentic" forms of assessment which will involve classroom assessments by teachers in close relationship to formative assessment.

The reason for their considerable investment in such changes is quite simple. Their experience of the short external tests has been that they give poor policy information and inaccurate evidence about individual teachers and pupils, while at the same time they exert pressures which damage good learning practices.

Paul Black,
professor of
science education,
King's College,
London; and
former chairman,
Task Group on
Assessment and Testing

Charging for US calls at BT and Mercury

From Mr Terry Rhodes.

Sir, The complexities of price comparisons between the US and UK and between BT and Mercury are such that even your reporter has been misled.

The article "Competition on the line" (April 29) actually compared Mercury's best "peak" price to the US (8am to 8pm) with BT's "off-peak" price.

The correct comparison for a three-minute call to the US, taking the best business price for each company in "peak" time is 122.15p from Mercury and 123.55p from BT. While Mercury charges for the exact call length, to the nearest 100th of a second, BT still charges by the unit. This means that the BT customer has to pay for the unused time left over. Taking this into account statistically, Mercury's best business price saves customers an average of 8 per cent in the "peak" period.

The leading independent expert's comparison (Octagon Telecomms Tariffs 1993) concludes "if a customer does have access to the directly connected Mercury 2100 service, there are no grounds from a pricing point of view for using BT for any outgoing calls".

In terms of benefit to UK business, it is now cheaper to call the US, or anywhere in Europe, using Mercury than in the reverse direction.

Terry Rhodes,
director of competition policy,
Mercury Communications

Cadbury not looking to boost earnings

From Ms Anne Simpson.

Sir, You report that research shows the latest innovations in corporate governance have had little effect in improving the performance of British business ("Governance changes not productive", April 22.). Sadly, it seems there is no correlation between earnings per share and the number of non-executives on British boards. Would that we could find a simple ratio and all would be well.

The research is rather misplaced, however. The purpose of good corporate governance is to ensure the accountability of directors to their shareholders, who by turn have responsibilities as the owners of large sectors of the economy in which employees and wider society have an interest.

The Cadbury Committee was not looking to boost earnings per share, but to re-establish confidence in a governance process that was open to abuse. It sets out advice to ensure that power is not concentrated, that checks and balances exist within board structures, that proper procedures for financial reporting are established. Each should contribute to high standards of administration in public companies and meet the goal of accountability expected by shareholders. Perhaps corporate governance standards should be regarded as an intangible asset, rather than a short-term drive towards cash earning.

Our research shows that half of FT-SE 100 companies still withhold key executives from retirement by rotation and only in rare exceptions are shareholder proxy votes reported.

It is still hard going on corporate governance issues in the UK. Cadbury should not be set up as a straw man for a separate set of problems in business – its fascination with short-term financial results – when the key challenges facing business are long term.

Anne Simpson,
joint managing director,
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19-21 Clerkenwell Close,
London EC1R 0AA

Ozal's domestic achievements

From Mr A M Apostolou.

Sir, While Edward Mortimer is correct to stress the late Mr Turgut Ozal's international achievements ("Friend when in need", April 28), Mr Ozal's domestic rehabilitation is equally important. Under Mr Ozal, Turkey became a country worth dealing with and investing in. He pushed Turkey away from nationalism and authoritarianism. If western leaders want Turkey to continue becoming more tolerant of diversity and more concerned with the creation of wealth, they should have paid Mr Ozal the tribute he deserved by attending his funeral.

Andrew Michael Apostolou,
33 Raleigh Drive,
London N20 0UX

Like a virgin

From Mr G Strickland-Clark.

Sir, You report that All Nippon Airways is to paint one of its Boeing 747 aircraft with the design of a whale (April 28). I find a certain gruesome irony in this idea, given the Japanese dedication to hunting this unfortunate creature to extinction.

Perhaps British Airways should paint virgins on its aircraft.

G Strickland-Clark,
Royston, Herts

FINANCIAL TIMES
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Keeping up the pressure

THERE are no grounds for euphoria at the endorsement of the internationally-brokered peace plan for Bosnia by Mr Radovan Karadzic, the Bosnian Serb leader. The United Nations and European Community mediators, Mr Cyrus Vance and Lord Owen, have sweated to achieve the diplomatic breakthrough achieved in Athens on Sunday and they deserve to be congratulated on the outcome. But even their own spokesman acknowledged that getting the leaders of the warring factions to sign the Vance-Owen plan was "the easy part."

It is only as a measure of the difficulties that lie ahead that such a description can be applied to the many months of laborious negotiations between the warring parties, and the frantic shuttle diplomacy of the mediators. A week ago, the process seemed to be in ruins. Now it has been signed, its implementation promises to be an uncertain and immensely complicated task, given that the Bosnian Serbs only agreed after their arms had been comprehensively twisted.

Even if the Bosnian Serb assembly endorses the peace plan, by no means a foregone conclusion judging by the defiant statements of some hardliners, it is still uncertain whether the military will go along with the decision. General Ratko Mladic, the commander of the Bosnian Serb forces, has frequently proved in the past that he is capable of taking the law into his own hands.

The plan is a bitter pill indeed for the hardliners to swallow. It calls for the withdrawal of Bosnian Serb forces, currently occupying 70 per cent of the land surface of the country, to areas making up only 43 per cent of the total. In return, Mr Karadzic appears to have won only two concessions. The mediators offered to create a narrow demilitarised corridor across northern Bosnia, which would link Serbia with Serb-controlled territory in Bosnia. However, it will be not be controlled by local Serb police, as demanded by Mr Karadzic, but by UN troops. The other modification in favour of the Bosnian Serbs is reported to be the initial replacement of Serb by UN troops in regions like eastern Bosnia, now occupied by the Serbs, but which have been allocated either to the Moslems or Croats under the Vance-Owen plan. Yet it is clear that this would be a potential source of conflict since both the Moslems and the Croats would, sooner or later, want to provide their own security.

For the United Nations and the western allies, in particular, the enforcement of the peace plan presents an enormous challenge. Nato, which has offered to assume the task on behalf of an over-stretched UN, has estimated that it will need at least another 60,000 troops for an unspecified period to do the job properly. Such a large force will require a substantial contribution from the US, which should be facilitated if American troops are placed under Nato rather than UN command.

Yesterday's announcement by the White House that the US would be prepared to provide ground forces for such a purpose was a shot in the arm for Nato planners. But the US contribution is unlikely to meet more than one quarter of the total number required. Britain and France, with peacekeeping forces already in Bosnia and other parts of the former Yugoslavia, will also be asked to make bigger contributions along with other western nations.

They will have to do so quickly, since any delay will certainly ensure the unravelling of the peace plan, which provides for the withdrawal of all the warring parties' forces to their designated provinces within 45 days of a ceasefire. Mr John Major, the Prime Minister, and Mr Warren Christopher, the US Secretary of State, were also right to emphasise at their weekend meeting that the pressure on Belgrade and the Bosnian Serbs must be maintained until a ceasefire is in place and the peace agreement implemented.

The emphasis has shifted away from military action following the outcome of the Athens summit, though the US still insists that it should be retained as an option in case the Bosnian Serbs do not stick to the agreement.

What is clear, however, is that international economic sanctions must not be lifted until the implementation of the peace plan is well advanced. The evidence is that it was, above all, the fear of the effect of reinforced sanctions and the threat of permanent economic and political isolation that finally persuaded President Milosevic to make his vital contribution to the peace process. Such pressures still have an important role to play in the enforcement of the plan.

Bulky prices for compact discs

BRITISH and other European buyers of compact discs get a raw deal by comparison with music lovers on the other side of the Atlantic. Prices in Europe are about 40 per cent higher than in North America. While the precise size of the discrepancy depends on the exchange-rates used for comparison, even the record industry admits that European consumers pay more.

The issue has come to a head in the UK, where a parliamentary select committee last week finished public hearings on the subject. So far, the industry has failed to give a convincing explanation of why CD prices are so high. It is therefore welcome that Sir Bryan Carsberg, director-general of fair trading, is considering referring the matter to the Monopolies and Mergers Commission.

The source of the price discrepancy is still something of a mystery. The industry's argument that the costs of supplying CDs in the UK are higher than in the US does not ring true. On the other hand, no evidence has emerged of a cartel among either record companies or retailers.

The most convincing explanation is that the industry, which is increasingly dominated by multinational companies, has segmented the global market into a series of national ones. In doing so, it has decided that it can get away with charging more for the same music in Europe than it does in America.

A price-fixing cartel is not necessary to achieve this because one company's music cannot normally be substituted for another's. Somebody wishing to buy Pink Floyd's *Dark Side of the Moon* is hardly likely to switch to Beethoven's *Choral Symphony* just because the price is lower. Each title is therefore effectively a mini-monopoly, at least where protected by copyright.

Copyright law also buttresses market segmentation by allowing record companies to ban retailers from buying CDs at cheaper wholesale prices in other countries. This ban on parallel imports enables the industry to maintain wide differentials in wholesale prices between the US and the UK, which are then reflected in retail prices.

Market segmentation and price discrimination are not in themselves always against the public interest. Since record companies have a high proportion of fixed costs, it is impractical for them to price CDs at the marginal cost of producing them. Doing so would lead to bankruptcy and the industry is right to stress that profit is not a dirty word.

To recoup the fixed costs – such as signing on and promoting artists – the industry has to charge a mark-up on top of marginal costs. Rather than charging the same mark-up for each customer, it may be more efficient to charge a higher mark-up for those who receive more value from the product. This argument provides some justification for the higher prices of CDs compared with cassettes despite their similar production costs: CDs are considered to be premium products because they last longer and sound quality is superior.

But a similar argument cannot justify price discrimination between Europe and America, unless one argues that Britons and Italians derive more value from listening to music than Americans and Canadians and so should pay more to subsidise their transatlantic brethren. Market segmentation in this case works against consumer interests and the competition authorities should act to remove it.

The best way of achieving this would probably be to follow the lead set by the Australian competition authorities which have concluded that the ban on parallel imports is against the public interest and should be outlawed from next year. Similar action in Britain would give record companies an incentive to cut their wholesale prices or face a flood of cheaper imports.

If record companies wished to be imaginative, they might lower their prices even without such an incentive, as high prices may be stifling the growth of the market. Given that the average American buys 30 per cent more CDs each year than the average Briton, the industry might find that lower prices were compensated through increased sales.

United we stand, divided we fall

Quentin Peel reports on the malaise in Germany after the latest political resignation

The trouble with Mr Björn Engholm, the dashing and popular leader of Germany's opposition Social Democrats, is that he never really seemed to want the power which he was supposed to be seeking.

He was the man who should have been campaigning furiously to overthrow Mr Helmut Kohl as German chancellor in next year's national elections. His heart was never in it. Instead he has become the most important victim in a series of self-inflicted resignations at the heart of the political establishment.

His sudden and extraordinary decision to quit yesterday for an apparently trivial mistake in misleading a parliamentary inquiry five years ago provides graphic confirmation of the malaise affecting the German body politic in the wake of German unification.

At a moment when the *SPD* should be far more popular than the ruling conservative coalition, which is undermined by its own internal squabbles and an acute downturn in the national economy, the resignation has thrown the opposition into disarray.

On the one hand, it reflects the struggle for a new identity among social democrats throughout Europe. More than that, it seems to reflect a pervasive pessimism, almost a will for self-destruction, in the whole German political establishment.

The same could be said of the strike launched at midnight on Sunday night by thousands of steel and engineering workers in east Germany. They are demanding pay rises which might be expected to force many of their employers into immediate bankruptcy. The only obvious logic behind the engineering workers' campaign for a pay rise of more than 20 per cent is that they are seeking to raise the level at which they can claim unemployment benefit when their firms close down.

Less than three years after the process of German unification was launched with heady optimism, the country has slipped into a recessionary gloom which is in danger of becoming self-fulfilling. And yet the facts, both political and economic, do not seem to justify the extent of the pessimism.

The last major figure to resign was Mr Jürgen Möllemann, the former economics minister and candidate for the leader of the Free Democrats, the junior partner in the ruling coalition. He quit in January after admitting signing a letter promoting a product – a plastic safety chip for supermarket trolleys – manufactured by a distant relative.

His successor as economics minister, Mr Günter Rexrodt, says that the economy may now be facing its steepest recession since the second world war. The mood of German industry, as measured by the respected Ifo institute in Munich, has been in virtual free fall since last year. Industrial orders were down 15 per cent in the first two months of the year compared with the same period in 1992, and manufacturing production was down 11 per cent. Retail sales fell nine per cent, and unemployment, both east and west, has topped 3m.

The economic gloom has compounded fears that the process of German unification has brought postwar economic prosperity to an end for good.

The merchants of doom declare that eastern Germany will be eternally condemned to be an industrial backwater, a German Mezzogiorno, while the western economy will be dragged down by the burden of interminable cash transfers to support it.

They fear that the country's structural problems are compounded by a political vacuum at the top, and the disturbing reappearance of the far right in local elections. They even question the reliability of Germany as a bastion of postwar west European democracy. There is gloom at home, and *schadenfreude* abroad.

The truth is that the pessimism is as overstated today as the optimism was in 1990. It is all too simplistic, short-sighted, and ultimately wrong. German democracy is not in danger, and the German economy is fundamentally strong, if muscle-bound. But the country is going through a traumatic period of readjustment. There is a threat that the pervasive gloom could prove self-fulfilling, by extending and aggravating that process of readjustment.

First, the recession. It is so sharp precisely because of the artificial boost to the economy which came from unification. Parts of German industry were working at extraordinarily high levels of capacity utilisation (90 per cent and more) in the post-unification boom to cope with domestic demand.

Democracy is not in danger, the economy is strong, if muscle-bound. But Germany is enduring traumatic readjustment

The belated effects of the international recession, coinciding with the end of the first east German spending spree, has seemed unnaturally drastic.

Clearly that is a temporary problem, although one which has caused a slump in business confidence. The Ifo institute says the pessimism is exaggerated. "In spite of the extremely precarious situation, one cannot talk of 'the worst recession since the war', or of an 'economic catastrophe', as some people are doing," it said in its March report. Ifo suggests that recovery could begin even before the end of the year, thanks to a recovery in exports to the US.

What of the unification process? Most westerners actively involved in the eastern economy are convinced that the mood is worse than the situation merits. It is a reflection of the trauma of abandoning a monolithic socialist society for divisive capitalist competition. East Germany is today a divided society, primarily defined by who has a job and who is unemployed.

Manufacturing industry is what has been devastated. Against that must be put the investment being pumped into rebuilding. Mr Kohl summed it up recently. Between 1990 and 1992 almost DM27bn (£10.9bn) was spent on rebuilding the transportation system: 5,600km of roads were renewed, 770 bridges rebuilt, 2,200km of railway track relayed, and 650km electrified. Anyone who drives around the so-called "new federal states" in the east can see both the results: road works in every town and village, sewers and water mains being rebuilt.

On top of the transport investment comes Deutsche Telekom. As the largest single investor in the eastern *Länder*, it spent DM11bn on capital investments in the east last year, and will do the same again in 1993: DM5bn went to east German manufacturers and suppliers.

Then there is the housing programme. The government has doubled – from DM30bn to DM60bn – the amount that can be borrowed to finance modernisation of the decrepit east German housing stock. It will, Mr Kohl believes, become "the locomotive for the upswing in the east".

Such huge sums of money are having a knock-on effect. Small service operators – plumbers, electricians, painters and paint-suppliers, small builders and decorators – are springing up in every small town and village. Their activities are slow to show up in the statistics, especially when the statistical base is still suspect. But they are making a visible contribution.

The great worry about east German industry is that the high wages demanded to catch up with the west will discourage big investors. Mr Lothar Späth, former prime minister of Baden-Württemberg, the most prosperous state in the west, and now chief executive of Jenoptik, the laser-electronics arm of what used to be Carl Zeiss Jena, is convinced the problem is not insuperable.

"It is too late to keep our wages down," he says. "So we must become a high-technology, capital-intensive economy instead." At Jenoptik, he has scrapped every product the company makes but one – a laser machine making semiconductors for the former Soviet military – and is reorienting the company to identify competitive products for western markets.

Mr Kohl sees a DM60bn housing programme in the east of the country as the locomotive for an upswing

The combination of a modernised infrastructure, investment in the most up-to-date manufacturing plant (such as the Opel factory at Eisenach) and a workforce which is, by all accounts, more flexible and adaptable than in the west, suggest that recovery in the east may come more swiftly than expected. The more intractable challenge may prove to be reforming the western economy.

Mr Rexrodt may believe the recession is steep. But he is not a pessimist. Rather, he is convinced that painful structural changes in Germany are now possible. He is planning to produce a package of measures for reform by the autumn, to make *Standort Deutschland* – Germany as an investment location – attractive once more.

"It is not just a question of wages policy," he says. "It is much more. Our socio-political structures need to be changed." He spells out a series of areas for reform:

- reduced enterprise taxation;
- better promotion of R&D;
- more flexible labour practices;
- promotion of technical education vs academic disciplines;
- a reliable energy policy, including nuclear energy;
- accelerated privatisation of railways, roads and telecommunications.

Last month, Mr Kohl announced plans for a national conference on the educational system: "We are a country where the pensioners get ever younger, and the students get ever older," he told the Bundestag. "We have ever shorter working lives, ever shorter working weeks, and ever longer holidays: our competitiveness is in danger.

"A successful industrial nation which hopes to have a future cannot afford to become little more than a collective amusement park."

The question is can he, or Mr Rexrodt, deliver? For the Kohl coalition stands accused of failing to provide leadership, failing to take tough decisions on economic reform, and falling back on easy compromises.

That is the background against which Mr Engholm has decided to quit. He was, it must be said, a confirmed pessimist himself: both over the process of German unification, and over the medium-term prospects for the German economy. But he has also been a committed player in the game of German consensus politics, like Mr Kohl himself.

Both leaders showed that they could do business when they succeeded before Easter in negotiating a "solidarity pact" to help revive the east German economy. The deal has been criticised for its failure to reduce government spending enough in the wealthy west to finance the subsidies to the east: too much will come from borrowing, and too little from savings.

Yet the importance of the deal was its political message: that both sides of the political establishment, along with employers and trade unions, and the powerful German *Länder*, were prepared to bury their differences in the interests of national unification. It was a result greeted with obvious enthusiasm and relief by both Mr Kohl and Mr Engholm.

The SPD leader had also shown a willingness to seek consensus solutions on other key issues, like the control of the flood of asylum-seekers and would-be immigrants from eastern Europe, and the use of German soldiers in international peacekeeping operations.

On those issues, he faced constant criticism from within his own party ranks. His failure to persuade the party to seek and hold the centre ground in German politics was almost certainly a reason for his decision to quit.

The question now is whether Mr Engholm's departure from the political scene, and the disarray it has left behind, will undermine the tentative cross-party consensus on unification.

Any successor – such as Mr Gerhard Schröder, the current premier of Lower Saxony – will be tempted to opt for confrontation.

What is certain is that it leaves Chancellor Kohl without a serious challenger, either in his own party, or in the opposition. It is an ironic position for a man whose popularity is supposed to be at an all-time low. On the other hand, it may be a just reward for a man who has steadfastly refused to be a pessimist in politics.

OBSERVER

Schmidt to do his bit

■ Helmut Schmidt, the former West German chancellor, has been growing ever crosser about what he sees as the shortcomings of his successor Helmut Kohl in steering a unified Germany towards a healthy future.

Not content with doling out schoolmasterly advice in his recent book Handeln für Deutschland (Action for Germany), the crusty 74-year-old is putting his money where his mouth is.

Banking on a bumper first print-run of 200,000 copies, he plans to sink the ensuing DM1m (£400,000) profit into a charitable foundation, based in Weimar.

He is also well on the way to persuading five other likely dignitaries from the world of business and finance to dig into their pockets to the tune of DM1m each to help get the foundation going.

The loot will be devoted principally to that great German pastime, organising talking-shops to dissect the country's ever-complicated future.

One of Schmidt's main worries is that ordinary Germans do not yet feel a common bond of "Germanness". He says he wants people from Dresden to feel at home in Aachen.

Since he thinks that happy state may be about 40 years off, the Schmidt foundation should be assured of a healthy life long after its founder passes on.

Going for broke

■ So chancellor Norman Lamont was right all along – those green shoots were stirring even in the depths of recession.

The latest retailer profitability rankings, drawn up by market research firm Corporate Intelligence, show Harvey & Thompson, Britain's 581st largest retailer – since last year trading as Lightship – firmly at the head of the league table achieving an extravagant 46.4 per cent pre-tax margin on sales in 1990-91. Its business? A pawnbroker.

On a whim

■ So why is Wim Duisenberg playing hard to get?

The affable and capable head of the Dutch central bank, who also chairs the European Community's committee of central bank governors, has to be the leading candidate for the presidency of the European Monetary Institute.

Favoured by both Chancellor Helmut Kohl and President François Mitterrand, Duisenberg would be charged with trying to steer EMI, which under the Maastricht treaty is due to spring to life at the beginning of next year, towards – maybe – a fully-fledged European Central Bank.

Word is that Duisenberg, 57, is not interested – not because he dreads a political minefield, but because he apparently believes that running the Dutch bank presents a greater challenge. He may not escape that easily.

Another candidate, Jacques de Larosière, governor of the Bank of France and former managing director of the IMF, turns 64 later this year, and so is a less likely choice on grounds of age alone.

Meanwhile, Horst Schulmann, a free-thinking German who is a mere 60, is also mentioned but is reckoned to be quite content in his newish job as head of the Hesse branch of the Bundesbank.

Could it be that the wily Dutchman might just change his mind if a deal were reached to site EMI, not in Bonn or Frankfurt, but in Amsterdam?

Two nations

■ Senior Bank of England apparatchiks, still sore about having been pipped at the post for the deputy governorship by a financial journalist, will not find next month's issue of Vanity Fair exactly calculated to lower the blood pressure.

In an article entitled The Tweed Jungle, Jacob Weisberg delivers a blow-by-blow account of "the bitter power struggle" that erupted in the "once chummy corridors" of the Economist during the bid to succeed editor Rupert Pennant-Rea now the latter is off to the "troubled" Bank.

While not always totally *au fait* with the byways of the British establishment, Weisberg, deputy editor of New Republic magazine, manages to score a direct hit surprisingly often.

But what does the Bank have to say about the way its number two designate strikes the author, namely as "rangy, goofy-looking with... pre-fashionable sideburns and a greasy comb-over"?

Chinese take-away

■ The Chinese answer to George Soros has just been made a university professor in the hope that some of his Midas touch will rub off on the country's eagre youth.

"Million Yang", probably China's best-known securities trader, recently waxed lyrical on the art of stock dealing before an audience at one of the world's hitherto more obscure seats of learning, Shenyang Finance College. He is now a "full-time" professor at the institution.

But it remains to be seen just how much time the smart Shanghainese will spend up north. Lacking any form of financial training, Yang skipped a university education and toiled long as a humble worker in Shanghai before essaying the delights of stocks and shares.

But since the Shanghai bourse opened for business in 1988, Yang has devoted himself night and day to its every gyration, accumulating an enviable pile in the process.

He is even taking small steps to emulate Soros the benefactor; Yang's meagre monthly professorial emoluments will go to a good cause, namely a Shenyang charity called Project Hope.

Great

■ Just when Observer assumed it had published the only Danish joke last week, a reader's Danish fiancée produces the other one.

What do the Swedes have that the Danes don't? is the question. Nice neighbours, of course.

FINANCIAL TIMES
Tuesday May 4 1993

Plunge in key indicator brings hint of US economic weakness

By Michael Prowse in Washington

FRESH SIGNS of US economic weakness emerged yesterday with an unexpected plunge in one of the key indicators for the manufacturing industry.

The Purchasing Managers' Index fell to 49.7 per cent in April against 53.4 per cent in March, partly as a result of a sudden drop in new orders.

This was the lowest reading since last September and far below the projections of Wall Street analysts, who had expected a modest firming of the index.

A reading below 50 per cent is generally regarded as evidence that the manufacturing sector is contracting.

In a separate report the Commerce Department said construction spending, hit by severe winter weather, had fallen 0.8 per cent in March, the first decline in seven months. Spending, however, remained 5 per cent higher than in March last year.

The fall in the purchasing managers' index is significant because it suggests that economic weakness in the first quarter carried over into April. Last week the Commerce Department reported a sharp decline in economic growth – to an annual rate of 1.8 per cent in the first quarter compared with 4.7 per cent in the fourth quarter of last year.

"After sustaining a high level of growth for five months, new orders collapsed," said Mr Robert Bretz, a spokesman for national purchasing managers. If orders did not revive, the "current economic malaise" would continue, he said.

He said the figures implied that the overall economy was still growing last month even though manufacturing had "come to a halt."

The purchasing managers' new orders index fell to 51.1 per cent last month against 58 per cent in March. The index for production fell to 51.8 per cent compared with 57.4 per cent.

Some relief, however, was provided by an unexpected increase in the index for new export orders, which rose to 53.2 per cent against 49.9 per cent in March, despite the slowdown in Europe and Japan.

Analysts are now anxiously awaiting employment figures for April, due on Friday, which will provide a more comprehensive guide to economic trends.

A field day for the bears, Back Page, Section II

British advertisements in Germany may fuel concern about 'social dumping'

UK overstates cost savings says study

By Diane Summers, Labour Staff, in London

BRITISH government advertisements in the German press aimed at enticing businesses to move to Britain are exaggerating the savings in labour costs to be made by the switch, says a study published today by the independent UK research group Incomes Data Services.

A recent advertisement in Handelsblatt, the German business daily newspaper, said that in Britain: "Wages and social charges are significantly lower... the labour costs index for Britain is 100 compared to 178 for Germany."

The advertisement invited companies to "find out more about how your firm can profit from making Great Britain your place of business" by contacting the British consulate in Düsseldorf.

Mr John Major, UK prime minister, has in recent months been promoting Britain's attractions to foreign investors. He applauded, in particular, a controversial plan by Hoover to move vacuum cleaner production from Dijon in France to Cambuslang, near Glasgow. The plan enraged the French authorities and is now being re-examined by Hoover as part of a cost-cutting review.

IDS said the British government's claim in the German advertisement might "fuel concern in other European countries about social dumping – the idea that businesses will move to low-cost countries and thereby depress wages and conditions of employment throughout the Community".

An examination by IDS of official figures on comparative European manufacturing labour costs indicates that German costs were likely to be about 33 per cent, rather than 78 per cent higher than Britain's.

There were wide variations depending on sector and size of company: Britain had low costs in aerospace, for example, while labour costs were closer to other European countries' when it came to vehicle production in companies of more than 1,000 employees, said IDS.

The figures also showed that Britain's main cost advantages in the EC came from relatively low national insurance and pension contributions, IDS found.

However, in 1988, when the last full EC comparative survey was carried out, nearly half of British occupational pension schemes were taking a total or partial contribution holiday. Taking this into account could add 4-5 per cent to the underlying non-wage costs in Britain, said IDS.

Mrs Gillian Shephard, UK employment secretary, told the French employers federation in Paris on Friday that the "real danger facing Europe is not one in which jobs move within the Community, but one in which they are increasingly moving out of the Community altogether".

She was warning against the introduction of "extra layers of social protection on top of the necessary standards which all member states have already developed".

IDS Focs 67, Social Dumping. IDS, 193 St John St, London EC1V 4LS. By subscription

S Africa tension rises after killings

By Patti Waldmeir in Johannesburg

SOUTH AFRICA yesterday braced for more racial tension after five whites were killed by blacks at the weekend, and a group of retired generals said they might turn to violence to protect Afrikaners.

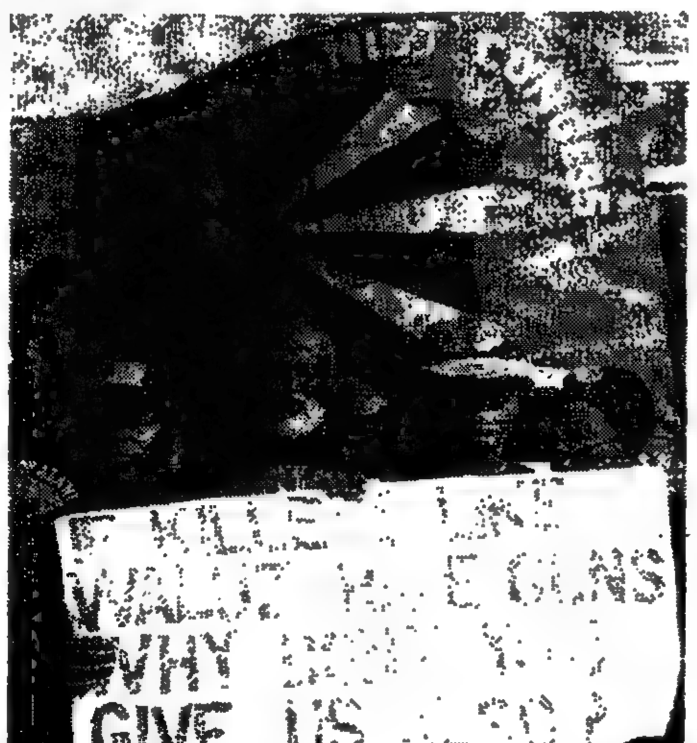
A man claiming to represent the Azanian National Liberation Army, the little-known armed wing of the ultra-radical Black Consciousness Movement of Azania, telephoned a local news agency to claim responsibility for the murder of five whites in an eastern Cape hotel bar on Saturday night. But another caller to a different news agency denied the claim.

The attack by black gunmen followed several similar killings in recent months, and has further exacerbated white fears. The Azanian People's Liberation Army, the military wing of the black-supremacist Pan Africanist Congress, has been blamed by police for most of these attacks.

The attack came on the eve of the funeral on Sunday of African National Congress leader Oliver Tambo, which went off without incident. However, white television viewers will have been further alarmed by live coverage of the funeral, which involved a long parade by guerrillas of the ANC armed wing, Umkhonto we Sizwe, wearing full battle dress.

Meanwhile, a group of former army and police generals say they will try to mobilise rightwing whites behind the demand for self-determination for Afrikaners. General Tienie Groenewald, one of the conveners of the "committee of generals", has denied press reports that the generals aimed to establish an army of the right, but said the group would turn to violence if constitutional options proved unsuccessful. He said the group's aim was to ensure that the government and the ANC did not ignore the views of rightwing whites, and ethnically based parties such as the Inkatha Freedom party, in constitutional talks.

Political analysts believed the group would find it difficult to unite the fractious and divided right. But given the group's considerable potential support among the largely rightwing armed forces, its formation could further exacerbate tension.



Pan African Congress members protest in King Williams Town

Prison escapes add farce to Belgian 'trial of the century'

By Andrew Hill in Brussels

THREE of Belgium's most wanted men yesterday embarrassed the country's prison service and police with an audacious armed break-out from a Brussels jail. The trio were still on the run last night and were reported to be holding a senior prison official hostage.

The escape may set the farcical seal on what was supposed to be Belgium's "trial of the century" – that of the notorious Haemers gang, nine people accused of 15 bloody armed hold-ups and the 1989 kidnapping of former prime minister Paul Vanden Boeynants.

It will also put further pressure on the Belgian political establishment, which is already under stress from accusations of political and business corruption as well as the more familiar strains of coalition government.

Two of the Haemers gang were among the prisoners to escape yesterday morning, as riots broke out at two Brussels prisons.

Their trial was supposed to have begun last month but was already in a state of suspension, following the court's failure to round up enough jurors and potential jurors.

It could resume in September, assuming the two defendants are recaptured, and the government can rush through emergency legislation changing the rules for picking juries.

Mr Patrick Haemers, leader of the gang, has escaped custody before, fleeing to Rio de Janeiro in 1986, before being recaptured in 1989. This time he was not among those to make the break for freedom; his lawyers are exploring a more orthodox way of securing his release.

They argue that he has already served nearly five years while awaiting trial. A Brussels court yesterday rejected their request that he be temporarily freed, but Mr Haemers' lawyers are likely to appeal against the decision.

Mr Haemers' alleged accomplices, Mr Philippe Lacroix and Mr Basri Bajrami, were sprung from St Gilles prison, in a Brussels suburb, yesterday morning. Several other inmates also tried to escape during the riot, but were recaptured.

The trio immediately took four prison officers hostage using two handguns and three grenades and escaped in a stolen BMW, before leading the police across Brussels, leaving behind them a trail of abandoned getaway cars and hostages.

BAe-Matra missile deal

Continued from Page 1

ra's defence and space operations, stressed in Paris last week the importance his group attaches to European industrial partnership. He indicated Matra had been discussing new defence partnerships with BAe and GEC in the UK and Deutsche Aerospace in Germany.

Matra already has a joint company in the space sector with GEC, called Matra Marconi Space. It is a long-standing collaborator with BAe.

The Matra/BAe move coincides with an intensification of missiles collaboration talks between Aerospatiale and Thomson-CSF, as well as between Aerospatiale and Deutsche Aerospace.

BAe recently merged its regional jet activities with Taiwan Aerospace, and is talking with Casa of Spain and others about its turbo propeller commuter aircraft business.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	G	12	54	Frankfurt	C	14	57	Majorca	S	19	66	Oporto	[illegible]	17	63	Tenerife	C	20	68
				Brussels	G	11	52	Geneva	S	18	64	Malaga	F	18	64	Oslo	R	13	55	Tokyo	F	18	64
				Budapest	T	22	72	Gibraltar	F	18	64	Malta	F	19	66	Paris	C	13	55	Toronto †	F	11	52
Ajaccio	S	18	64	Buenos Aires	R	20	68	Glasgow	C	11	52	Manila	F	36	97	Prague	F	19	66	Tunis	F	19	66
Algiers	S	21	70	Cairo	S	30	86	Helsinki	F	16	61	Melbourne	S	21	70	Reykjavik	Sl	2	36	Valencia	S	20	68
Amsterdam	F	12	54	Cape Town	G	15	59	Hong Kong	S	26	79	Mexico City	F	27	81	Rhodes	S	20	68	Venice	S	20	68
Athens	F	20	68	Caracas	F	31	88	Innsbruck	F	13	55	Miami †	S	24	75	Rio de Janeiro	C	33	91	Vienna	S	22	72
Bahrain	S	33	91	Casablanca †	S	18	64	Inverness	R	8	46	Milan	S	20	68	[illegible]	F	18	64	Warsaw	S	22	72
Bangkok	F	37	99	Chicago †	Dr	14	57	Islamabad	F	38	100	Montreal †	S	16	61	Salzburg	C	18	64	Washington †	C	15	59
Barcelona	S	17	63	Cologne	C	11	52	Istanbul	[illegible]	15	59	Moscow	S	20	68	S'Francisco †	Dr	13	55	Zurich	F	17	63
Beijing	S	25	77	Copenhagen	C	11	52	Jakarta	R	32	90	Munich	F	15	59	Seoul	S	19	66				
Beirut	F	20	68	Corfu	F	18	64	Johannesburg	F	20	68	Nairobi	C	28	82	Singapore	T	32	90				
Belfast	S	11	52	Dallas †	C	13	55	Lisbon	[illegible]	18	64	Naples	C	21	70	Stockholm	S	19	66				
Belgrade	S	23	73	Dublin	F	10	50	London	C	11	52	Nassau	[illegible]	28	82	Strasbourg	C	16	61				
Berlin	Dr	11	52	Dubrovnik	T	24	75	Los Angeles †	C	17	63	New Delhi	S	37	99	Sydney	S	23	73				
Bermuda	S	22	72	Edinburgh	F	11	52	Luxembourg	C	16	61	New York †	S	12	54	Taipei	R	22	72				
Bombay	S	31	88	Faro	F	19	66	Madeira	F	17	63	Nice	F	17	63	Tangier	C	20	68				
Bordeaux	F	18	64	Florence	S	20	68	Madrid	F	13	55	Nicosia	[illegible]	20	68	Tel Aviv	F	24	75				

Temperatures at midday yesterday
† Noon GMT temperatures
C–Cloudy Dr–Drizzle
F–Fair Fg–Fog H–Hail
R–Rain S–Sunny
Sl–Sleet Sn–Snow
T–Thunder

THE LEX COLUMN

Limiting security risk

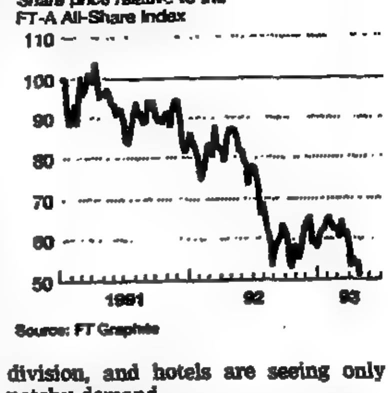
The Basle-based committee of banking regulators has not been idle since its capital adequacy rules were published in 1988. The complex standard proposed last week is based on market risk rather than credit risk and amounts to another turn of the screw. Banks which trade bonds, equities and currencies will in future have to hold more capital. If that blows some froth off the foreign exchange and derivatives markets, so much the better.

But the new rules will have less impact than the earlier Basle guidelines, which arguably encouraged banks to buy government bonds rather than lend to companies. Depending on the level of market risk on its books, the proposals might lift the average international bank's capital requirement one percentage point from the current 8 per cent of risk-weighted assets. Most already exceed that target, so liquidity in securities markets where banks play a leading role should not suffer. There is anyway the separate promise that banks will be allowed to net off credit exposures to each other. Such a relaxation of the 1988 rules would free up capital, especially for banks active in swaps.

Bankers will doubtless still grumble that the regulations do not take into account the sophisticated hedging strategies they put in place to guard against market movements. More importantly, the Basle proposals are tougher in some respects than last year's EC directive on capital adequacy. How Basle will be reconciled with Brussels, and whether tough-minded regulators such as the US Securities and Exchange Commission are prepared to relax their harsher rules, remain open questions. Without harmony among regulators, capital will simply flow to where regulation is most relaxed.

Ladbroke

Share price relative to the FT-A All-Share Index



Source: FT Graphite

Ladbroke

Since Ladbroke announced its results two months ago the shares have fallen by 23 per cent. Clearly the fall-out from the Queens Moat debacle has cast a pall over the leisure sector. Gun-shy investors are less inclined to give complex groups like Ladbroke the benefit of the doubt in such tough times. But there is more than poor sentiment at work. Ladbroke's high debt reduces flexibility, and the property division is something of an albatross. Despite the upturn in the UK there are still worries about competition in the DIY sector. The national lottery ups the ante for the betting division, and hotels are seeing only patchy demand.

If the company wishes to counter market nerves, there are things it could do. Sentiment improved towards Forte when Lord Forte's diminishing influence allowed the dividend to be cut. Ladbroke could follow suit. An accelerated property disposal programme would cut borrowings faster, while the sale of Texas Homecare would also bring in cash.

The company may set its face against such moves, arguing that this is not the stage of the cycle to sell. But the luxury of choice will be lost if Hilton starts to suffer from the more rapid expansion of its rivals. If Ladbroke cannot yet face drastic steps then it could at least strengthen its board and improve disclosure of information to the City. As a FT-SE 100 company yielding over 8.5 per cent, Ladbroke might also consider buying in its own shares if it is so confident of its story. Instead it has opted for an enhanced scrip dividend which looks like a mini-rights issue.

Continental Airlines

Continental Airlines' emergence from the Chapter 11 bankruptcy procedure raises intriguing valuation questions about the airline industry. A mysterious $1.8bn intangible asset has popped up on the US carrier's reconfigured balance sheet relating to the value of its routes and slots. The item accounts for 37 per cent of the new entity's total assets. No value was ascribed to the routes before.

There is nothing wrong with this from a technical accounting perspective. In the US, route allocations are tradeable commodities which can legitimately be capitalised. Three years ago United Airlines bought Pan Am's international routes into Heathrow for $400m. It treats such route acquisition costs as intangible assets and steadily depreciates them. The surprising aspect to Continental's valuation is its scale and theoretical nature. Such accounting inventions beg a string of questions about the methods employed. What happens to route values if a more aggressive competitor starts operating alongside? What would be the effect of a revision of bilateral aviation agreements? US accounting rules recognise such assets can be subject to "permanent impairment" and should then be written down. At a practical level, though, the debate quickly veers into the farcical.

For European airlines, such issues are academic because routes are not traded and thus not treated as intangible assets. Though a carrier's slots are arguably its most precious asset, this is probably just as well. If it applied the logic of the Continental valuation and the market worth suggested by the United deal, British Airways could invent a value of more than $5bn for its Heathrow slots. Sensibly it says it has no intention of doing so.

Owners Abroad

Companies normally put on their best face during a hostile bid. But it now appears Owners Abroad applied some thick make-up while fending off Airtours. During the bid, Owners did not issue a profits forecast but made much of its strong trading and the savings that would stem from its link-up with Thomas Cook. Just weeks later it has been steering profit expectations lower. Owners' shares have dropped 28 per cent since the bid failed.

A period of underperformance is common for companies which have escaped takeover. Besides, tour operators' trading conditions are notoriously volatile. Nevertheless, it is surprising how quickly Owners has changed its tune. The costs of carrying extra aircraft through the winter are higher than the market assumed. The rationalisation costs accompanying the Thomas Cook alliance also appear unexpectedly large.

That must grate with shareholders. Owners' management has a history of disappointment and there is now little prospect of a bidder salvaging the share price should the company falter. Following its tender offer, Thomas Cook accounts for 21 per cent of Owners' shares. That makes the company all but impregnable.

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday May 4 1993

INSIDE

IBM lures Chrysler finance chief

Mr Lou Gerstner, the new chairman of International Business Machines, yesterday made his first top-level executive appointment by naming Mr Jerry York, chief financial officer of Chrysler, to the same position at IBM. Mr York, 54, has been chief financial officer of Chrysler since May 1990 and has played an important role in the carmaker's successful efforts to cut operating costs. Page 19

Kleinwort Benson looks outside

Kleinwort Benson, the merchant banking group, is to look outside for a new chief executive to replace Mr Jonathan Agnew. Mr Agnew has been chief executive of Kleinwort Benson for the past five years. Page 18

Digging for victory

"We're the most efficient coal miners in the country," boasts Richard Budge as he strides across the English countryside. Before him lies a gigantic hole in the ground. This is Colliersdean, one of the UK's largest open cast mines, operated on behalf of British Coal by RJB Mining, Mr Budge's company. Over the past month, scores of visitors have come to peer into its grey depths as a prelude to the flotation of RJB. Page 18

Not just a hangover

It seems a neat conclusion to pin the blame for last week's dive in the UK gilt market on a painful hangover after the Bank of England's £3bn ($4.62bn) auction of five-year stock. But there were plenty of other much more serious reasons. To lure overseas investors in, yields will probably have to go up. Page 20

Prospective p/e ratio

The latest prospective p/e ratio for the "500" index for calendar 1993 is 14.3 according to IBES, the consensus estimates service (last week: 14.3). This compares with an IBES estimated p/e for the "500" of 18.4 (18.4) for calendar 1992. The official FT calculation of the historic p/e, based on the latest reported earnings, is 17.81 (17.87).

Market Statistics

Companies in this issue

EC set to reclaim Klöckner-Werke loan

By David Waller in Frankfurt and Andrew Hill in Brussels

THE European Commission is poised to demand the full recovery of its DM175m ($108m) loan to Klöckner-Werke, the German steel and engineering group which filed for protection from its creditors in December.

The move, which is up for discussion at the full meeting of the EC executive tomorrow threatens to push the Klöckner group into outright bankruptcy.

Bankers to the group believe the EC's stance will lead to the unscrambling of a complicated debt restructuring deal under which the bulk of the group's creditors had agreed in principle to forgive DM1.4bn of the group's DM2.7bn debt.

The restructuring plan was designed to guarantee survival of the group and prevent problems of the steel businesses – *Klöckner Stahl* and *Klöckner Edelstahl* – from dragging down Klöckner's engineering subsidiaries.

The non-steel companies employ 25,000 out of the group's 33,000 workforce and are not formally touched by the "composition proceedings" which Klöckner has launched under German insolvency law.

But three large German banks warned in a letter to the commission yesterday that these jobs would be at risk if the the EC called in its loan.

The EC, which granted the loan for investment purposes under the European coal and steel treaty, ranks among Klöckner's biggest creditors.

The biggest is Deutsche Bank, the group's house bank which is believed to be owed DM450m.

Other leading creditors include the Westdeutsche Landesbank, state bank for North-Rhine Westphalia, believed to be owed DM255m; Dresdner Bank, with DM175m and the Bayerische Vereinsbank with DM150m.

Hard-line EC commissioners, believed to be in a majority, are demanding that the Duisburg-based Klöckner should not be given special treatment amid the crisis afflicting the EC steel industry.

But bankers, including Mr Ulrich Cartellieri from the Deutsche Bank, said in their letter yesterday that the bankruptcy of the group would give the opportunity for rival steel manufacturers to buy Klöckner's steel-works at knock-down prices, thereby contributing to the glut of steel capacity in the EC.

Sales fall puts Iveco in further big loss

By Kevin Done, Motor Industry Correspondent

IVECO, the commercial vehicle subsidiary of Fiat of Italy, suffered a second successive heavy *loss last year in the face of the* continuing steep fall in west European truck sales.

Last year's loss of Fl 187m ($105m) was only marginally lower than the loss of Fl 199m suffered in 1991.

Iveco is incorporated in the *Netherlands.*

Other leading European truck makers such as Volvo and Renault also suffered substantial losses last year, while Daf of the Netherlands was forced into receivership in February.

Iveco's loss last year was also cushioned by the one-off gain of around Fl 90m from the sale of a 51 per cent stake in its forklift truck subsidiary, Fiat OM Carelli Elevatori, to Linde of Germany.

The group's financial performance in the past two years has been burdened by the heavy launch costs for several truck ranges, which have been developed as part of the group's ambitious five-year, L5,000bn ($3.3bn) investment programme from 1988 to 1992 in new products and manufacturing facilities.

Iveco's commercial vehicle sales fell by 6 per cent to 115,500 last year.

Sales in Europe fell by 9 per cent to 93,000, but this was compensated by a 14 per cent increase in sales outside Europe to 22,500.

Iveco sales volumes in the past three years have fallen by 21 per cent in west Europe from 118,400 in 1989 and by 15 per cent worldwide from 136,100.

Demand continues to weaken and Iveco estimates European truck sales fell again in the first two months of 1993, by around 28 per cent from the same period a year ago.

The company suffered heavy losses last year in particular in Spain, where it took over Enasa, the loss-making state-owned producer of *Pegaso trucks* in 1990, and in the UK, where it took over management control of the former Ford truck operations in 1986.

Iveco Pegaso's net loss deepened to Pta32bn ($275m) from Pta20bn in 1991, while Iveco *Ford truck's loss totalled £31m* ($48.7m) following losses of £39m in 1991 and £20m in 1990.

Iveco Magirus, the group's German subsidiary, fell to a loss of DM56m ($85m) from a profit of DM52m a year earlier.

Richard Waters on moves to put the world's financial centres on an even footing

Tough time making a level playing field

INTERNATIONAL agreements between financial regulators are seldom what they appear. Ostensibly devised to ensure the integrity of international markets or reinforce the financial system against unexpected shocks, they are often the result of a quite different motivation: the desire by heavily-regulated nations to prevent companies in lightly-regulated ones from gaining an advantage in international markets.

Last week's proposals from the Basle Committee on Banking Supervision on the market risks run by banks fit the usual pattern. Laying down common minimum capital levels for banks which trade equities, debt and foreign exchange, as well as the derivatives which have grown up around these core markets, has *obvious prudential attractions.*

However, the move springs at least as much from a drive to put the world's main financial centres on an equal footing.

Securities firms in London in particular have long enjoyed a lighter capital regime than elsewhere.

The Basle Committee's last attempt at international harmonisation – the 1988 accord which established an 8 per cent minimum capital level to back credit risks – was motivated by similar concerns. By forcing Japanese banks in particular to back their loans with more capital, the accord helped more heavily capitalised banks to maintain their position in international banking markets. Establishing the same "level playing field" in other financial markets is proving more difficult.

The Basle Committee had hoped to reach a common agreement on market risk with the International Organisation of Securities Commissions (Iosco), which represents securities regulators. This would have led to a common framework for commercial banks as well as investment banks and securities houses.

That plan foundered last year when Mr Richard Breeden, outgoing head of the US's Securities and Exchange Commission, vetoed the proposals on the grounds that they were too lax. Making the playing field more uneven is a European Community directive on capital adequacy for both banks and securities firms, agreed last year.

The result is a mess: securities firms outside the EC will not have to adhere to any international guidelines, while banks inside it will have to meet two different sets of rules for measuring market risk.

In at least two respects, the *Basle rules have been pitched at* a more stringent level than the EC's directive. Foreign exchange risks – against which banks previously have not had to provide any capital at all – will eat up more capital.

Also, the "specific risk" in equities (the risk that a particular stock will fall in relation to the market, as distinct from the general market risk that all prices will fall) will need 4 per cent capital backing, rather than the 2 per cent required by the EC.

The complex rules apply different risk-measurement systems to debt, equities and foreign exchange. They also recognise different methods of measuring risk for the same instruments, particularly when it comes to derivatives: banks which have invested in sophisticated risk-management systems will be able to use these in determining the risk they report for regulatory purposes, provided they are approved by national regulators.

However, Mr Gerald Corrigan, chairman of the New York Fed and of the Basle Committee, concedes: "No regime is capable of capturing all of the activities and trading strategies that individual institutions use."

The treatment of even relatively familiar practices could arouse opposition. For instance, banks involved in stock index arbitrage – which involves taking opposite positions in a stock index future and the underlying stocks – are allowed a concessionary 2 per cent capital weighting on each leg of the transaction, adding up to 4 per cent overall, even though an effective arbitrage trade can leave a bank with no market risk.

It is the treatment of strategies like these, and the many situations in which banks use positions in different financial *markets partially to offset one* another, that will determine just how hard the Basle rules bite.

Meanwhile, banking regulators are holding out the hope of renewed agreement with securities regulators before the Basle rules come into force, which will not be until 1997 at the earliest.

The European directive provides for a review of EC law after three years. However, the prospect of revising the rules to conform with tougher requirements from Basle fills securities regulators with horror. "We certainly don't want to have to re-open the directive," one said.

Whatever agreement is reached, the playing field will continue to look uneven. Banks will have to put up capital to reflect the effect that changes in interest rates will have on their holdings of debt securities, but will not have to take similar steps to guard against interest rate risks in their normal banking operations.

Lydia van der Meer

Gerald Corrigan: 'No regime can capture all activities and strategies'

This could help to reverse the bias in regulation in recent years that has encouraged the securitisation of bank assets.

Instead, the Basle Committee last week published a paper proposing a common method for measuring a bank's overall interest-rate risk.

While the latest Basle proposals may have wide-ranging and as yet unpredictable effects on banks' activities in the financial markets, they seem unlikely to have as profound an effect as the 1988 capital accord. That agreement helped to stem the growth of credit markets as banks sought to strengthen their capital bases. A similar damping of activity is unlikely.

However, the proposals could change the way banks trade for their own account. *As Mr Corrigan says:* "I would hope they would work in the direction of encouraging more conservative trading strategies and approaches as they pertain to banks' proprietary trading activities."

Pension funds can rock the financial markets

Economics Notebook

By Peter Norman

THEIR role in society is invaluable. We depend on them for our security in old age. But pension funds have also emerged as one of the great potential destabilising forces in the world's *financial* markets.

Last week in Washington, finance ministers and senior officials from the world's leading industrial countries took time out from their everyday pre-occupations to ponder some of the lessons of last autumn's crisis on the world's currency markets.

Their conclusions – summed up in a communique by the Group of Ten industrial countries – amounted to little. But that should cause no surprise. Two studies – one by staff of the International Monetary Fund* and another by senior G10 officials chaired by Mr Lamberto Dini of the Bank of Italy – served to highlight the powerlessness of governments and central banks in the face of *massive currency movements.*

A quick statistical overview of the foreign exchange market shows what problems governments face.

Daily foreign exchange transactions have grown rapidly over the past decade, fuelled by the liberalisation of capital markets, technological advance in computers and telecommunications and the rapid expansion of the amount of funds managed by institutional investors.

As a result, daily net turnover of the nine biggest foreign exchange markets totalled $910bn last year, a sum much higher than the total non-gold reserves of all the industrial countries. According to the IMF, these totalled $555.6bn in April 1992.

The total reserves of the industrial countries are also dwarfed by the volume of financial assets held by foreign investors.

Total cross-border equity holdings in the US, Europe and Japan increased from $800bn in 1986 to $1,300bn in 1991 while the IMF estimates that the total cross-border ownership of tradeable securities has increased to $2,500bn.

Institutional investors, of which pension funds are the most important, have played a prominent role in this process of portfolio diversification. In Europe, institutions invest about 20 per cent of their assets abroad while foreign investments of US and Japanese institutions generally range between 5 and 7 per cent.

These relatively modest sounding percentages can translate into potentially large financial flows. US pension funds, for example, had invested just 4.6 per cent of their assets abroad in 1991. But these were worth $125bn. Similarly, the 6.6 per cent of assets invested outside the US by American mutual funds was worth $90bn.

Moreover, the IMF and Dini reports both predict that the trend to international portfolio diversification will keep growing. *The IMF quotes research* by InterSec Research Corporation, a company that tracks pension fund investments worldwide. This estimates that the share of foreign currency denominated assets in the port*folios* of the world's 300 largest pension funds will increase from about 7 per cent at present to about 12 per cent by the middle of this decade.

If true, global pension fund assets will rise to around $7,200bn by 1996, *of* which $880bn will be cross-border investments.

US pension funds are projected to double the share of foreign securities in total assets to 10 per cent by the mid-1990s.

Such portfolio diversification can be a tremendous force for good in the world. By putting resources where they are needed, the investment of savings from mature industrialised countries in higher-yielding opportunities abroad *should bring benefits to* both the investing and the host countries.

But the sheer scale of the present and prospective investment flows is also a big headache for governments, particularly as institutions which used to invest for the long term are taking advantage of improved liquidity in financial markets and falling costs of financial transactions to switch in and out of currencies and their derivative securities.

Rapid action is not just the preserve of the hedge funds, such as those run by Mr George Soros which shot to prominence in the attack on sterling last September. These privately subscribed funds, which are mostly based in unregulated offshore centres, are notable for their ability to take highly speculative, leveraged positions in currencies.

The Dini report notes that some pension funds have also started to treat foreign exchange as an asset class in itself, separate from any debt or equity security.

According to the IMF, "relationship buy-and-hold finance is giving way to transactions-driven finance, leading to the observation that it is no longer clear what a 'long term investment' means".

*All this is bad news for gov*ernments. When private markets change their mind about a currency, a defending central bank can be faced with a run of $100bn to $200bn in a week and run out of reserves.

But it is a sign of the dilemma faced by monetary authorities that the Dini report was unable to come up with any clear recommendations for dealing with these problems.

It talks in a "motherhood and apple pie" sort of way about the need for close consultations among governments, sound policies at home and co-operation among countries to ensure that interest rates changes or intervention to protect currencies are as effective as possible. But at one point it acknowledges that "a country can experience downward pressure on its currency despite the fact that its macroeconomic policy and performance have been sound".

A case in point was France last year which eventually fought off speculation against the French franc and and forced losses estimated at $1bn on speculators in the process.

But although the French franc is doing well in the honeymoon period after the centre-right government's sweeping election victory, few foreign exchange operators are yet willing to give it a competely clean bill of health.

**International Capital Markets: Exchange Rate management and International Capital Flows. $20 from the IMF, Publication Services, 700 19th Street, NW, Washington DC.*

Four banks withdraw from BT share sale

By Richard Gourlay in London

AT least four European banks *excluded from the global syn*dicate to market the UK government's remaining BT share stake have withdrawn their support as regional managers to the £5.5bn ($8.47bn) issue.

The banks, which include Kleinwort Benson the UK merchant bank, Banque Nationale de Paris and Banque Indosuez of France and Enskilda of Sweden, are understood to be unhappy at being prohibited from marketing to the 500 global institutions most likely to be interested in the issue.

Under the rules set by the SG Warburg, adviser to BT and global co-ordinator for the sale of the 21.9 per cent stake, 11 global syndicate banks have been given exclusive access to these institutions.

This structure moves away from previous practice.

Advisers hope the new structure will increase competition among the co-ordinating banks - who will now compete with each other across national boundaries - and maximise the return to the UK treasury.

While the 11 global syndicate banks will have exclusive access to these top institutions, they will also be allowed to market to smaller investors.

Warburg has named as co-ordinating banks: Barclays de Zoete Wedd, Cazenove, Daiwa Securities, Deutsche Bank, Merrill Lynch, Morgan Stanley, NatWest Securities, Paribas Capital Markets, NM Rothschild and UBS Limited.

Warburg will be co-ordinating the global book-building exercise.

Kleinwort looks outside for new chief executive

By John Gapper, Banking Correspondent

KLEINWORT Benson, the merchant banking group, is to look outside for a new chief executive to replace Mr Jonathan Agnew.

Mr Agnew is leaving this summer by agreement with Kleinwort's new chairman, Lord Rockley.

The company yesterday declined to comment on Mr Agnew's departure.

However, it is thought to have been agreed with Lord Rockley following his decision that the group needs a fresh strategy to take it forward.

Mr Agnew has been chief executive of Kleinwort Benson for the past five years, and has overseen its attempt to build securities operations on top of its traditional banking business following the Big Bang City deregulation.

Lord Rockley is thought to have decided to look outside the group for a chief executive, although the deputy chairman, Mr Simon Robertson, is expected to be given a strong role in establishing a long-term strategy for the group.

No announcement of the change has yet been made to the group's staff, although they are expected to be informed officially of Mr Agnew's departure today.

The group is keen to dispel any suggestion of him being forced out.

Mr David Peake, its former chairman, retired at the group's annual meeting last week, and handed responsibility to Lord Rockley. He said at the group's preliminary results that he had been thinking about retiring "for some months".

Kleinwort's pre-tax profits recovered last year, after a drop in bad debt provisions from £39m to £7m, by 66 per cent to £46.3m. Attributable profits rose by 10 per cent to £21.3m.

Although the group has developed under Mr Agnew, it now lags well behind SG Warburg in market value.

Lord Rockley is thought to want to find ways of integrating the various operations more effectively in future.

The group, which made a loss in 1990, is 6.6 per cent owned by American International Group, the US insurance company, while Banque Nationale de Paris holds 4.7 per cent.

Aiming to carve out a niche in the market

RJB Mining sees a promising future in the UK coal industry. **David Lascelles** reports on its pending flotation

"WE'RE THE most efficient coal miners in the country," boasts Richard Budge as he strides, a *hard-hatted burly figure*, across the Northumberland countryside.

Before him lies a gigantic hole in the ground. At the bottom, a 1,600-ton dragline scoops up dirt in 50-ton bucketfuls. Dump trucks capable of carrying 185 tons at a time growl their way along muddy tracks. This is Colliersdean, one of the UK's largest open cast mines, operated on behalf of British Coal by RJB Mining, Mr Budge's company.

Over the past month, scores of City visitors have come to peer into its grey depths as a prelude to the flotation of RJB on the Stock Exchange. The pathfinder prospectus is due out later this week.

Mr Budge's boast may not seem too startling in an industry where British Coal sets the pace. And even if RJB's £100m *worth of high grade equipment* enables it to compete with imported coal, what future is there in a business seemingly in such steep decline?

The answer, according to Mr Budge, is that the government's White Paper, far from sounding the death knell of coal, will open up big opportunities for the efficient producer. He believes that RJB can grow even as the UK coal industry shrinks to maybe only half of its former size.

RJB was born as a separate company only a year ago, when it emerged through a *management* buy-out from AF Budge, a construction and mining company run by Mr Budge's older brother Tony, since placed in receivership.

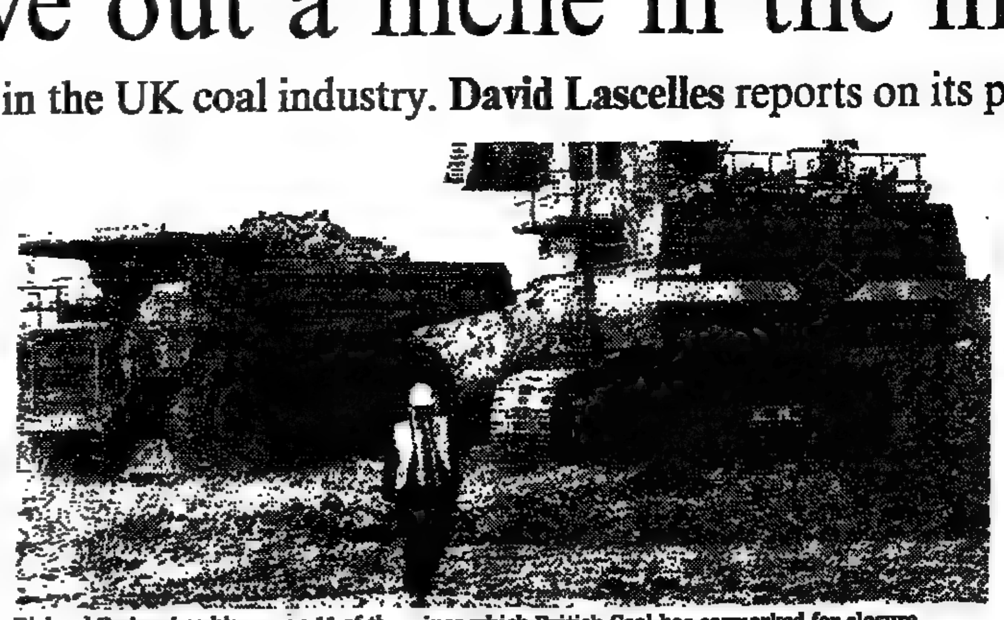
The £106m deal was financed by Schroder Ventures (about 50 per cent), Charterhouse (25 per cent), Midland Montagu (5 per cent), with Mr Budge owning 20 per cent, and the rest of management a small fraction.

The company now operates 11 open cast sites, nine of them on behalf of British Coal, and two in its own right. It also has two underground mines, and various ancillary activities such as coal washing.

Last year's turnover amounted to £73m. The operating profit was £16.4m, but the cost of financing the buy-out debt reduced the pre-tax profit to £11m. The after-tax result was £7.3m.

But though these figures point to a strong financial performance, how will the market react to a company in a waning industry, subject to political and environmental pressures, to say nothing of foreign producers mining thick seams at a fraction of the cost?

Mr Budge, who is 46, has a jovial disregard for these objections. His vision of the future rests on the many advantages which he thinks the upheavals in coal can bring to companies like RJB.



Richard Budge: has his eye on 11 of the mines which British Coal has earmarked for closure

The first is that laws restricting the size of the private coal industry will be lifted – as promised in the White Paper. These currently limit the output of mines to 250,000 tonnes, *and the number of men underground* to 150.

The second is that the private sector will be allowed to bid for mines which British Coal intends to close down. Mr Budge says he has his eye on 11 of these, though he declines to identify them ahead of the purchase negotiations.

The third is that RJB can be a lot more efficient than British Coal, and thus transform British Coal's uneconomic pits into money-spinners. As an example, he cites the Blenkinsopp colliery in Cumbria, which RJB bought in 1990. At the time, the two pits there were producing 80,000 tonnes a *year with a workforce of 76.* They now produce 160,000 tonnes with 90 men.

Open cast mining also represents the low-cost end of the business. A pit like Colliersdean produces coal at 80p a gigajoule, compared with between £1 and £1.20 for imported coal, and £1.33 to £1.51 for coal sold to electricity generators under long-term contract.

Although environmentalists are trying to get open cast mining stopped, the White Paper says permission should not be withheld from economic pits. Open cast coal is also needed to blend with deep mined coal.

The fourth is that the private sector will be able to expand its sales to the electricity generation industry. Mr Budge has his eye on a share of the 8m to 12m tonnes a year of additional coal which the generators are expected to buy over and above the five-year contracts which have already been negotiated.

This supplementary coal would attract the promised government subsidy. But Mr Budge also sees prospects for expanding sales to the domes*tic, industrial and smokeless* fuel markets – and even forging a direct business link with a power generator.

RJB expects to be selling between 600,000 and 700,000 tonnes of coal by 1995, up from 350,000 to 450,000 this year. The growth prospects for the company thus depend greatly on Mr Budge's success in seizing the new opportunities.

But the prospectus will not flesh them out in detail. Mr Budge says he wants investors to judge the company on its current merits, and make their own assessments about what the future might hold.

Mr Nigel Hawkins, utilities analyst at Hoare Govett, says that RJB's expansion plans face significant hurdles, for example in obtaining planning consent for mines, and negotiating the legal complexities of buying redundant pits from British Coal.

The flotation is expected to value the company at between £100m and £110m. This would pay off some of the venture capitalists and allow the company to get its gearing down to the 30 to 40 per cent which Mr Budge is aiming for.

The prospectus will make clear that the flotation is not intended to raise funds for future acquisitions, so investors should expect to be approached again if there is a big deal in the offing.

NEWS DIGEST

MIN to acquire 10 new titles

MIDLAND Independent Newspapers, publisher of the Birmingham Post and Mail, will today announce a multi-million pound deal to buy 10 free newspaper titles in the East Midlands from the *Thomson Free Newspapers* group, writes Raymond Snoddy.

The agreement in principle is the latest sign of expansion at MIN since the £125m management buy-out from Ingersoll Newspapers in November 1991 and will give the group titles in all areas of the East and West Midlands.

Last year MIN, the main business of which includes the Sunday Mercury and Coventry Evening Telegraph as well as the Post and Mail, acquired 18 titles and launched five more.

The group will also announce today an increase in operating profit on its newspaper activities from £5.8m to £13.2m in the year to December.

Gieves

Gieves Group, the retailer and publisher, may have to make a provision in its results for the year to January 31 because Redwood Press, a former subsidiary, has been placed in administration.

Within the sale agreement terms of March last year, under which Gieves sold Redwood to BPMG, Gieves continued to provide guarantees on certain outstanding leasing and hire purchase obligations relating to printing equipment used by Redwood.

The amounts outstanding at January 31 were £3.5m, of which BPMG provided counter indemnities to Gieves in respect of 42 per cent of the outstanding amount.

Gieves' directors believe there is a likelihood its contingent liabilities under the guarantees will crystallise and a provision will have to be made.

The results will also contain a substantial provision in respect of the write-down of assets employed after closing the Milan store.

Benchmark

Benchmark Group, the property investor, incurred a loss of £1.39m pre-tax for the half year ended December 31 compared with £1.75m previously.

The deficit was struck after taking account of an exceptional provision of £926,000 (£1.6m) against properties sold. A fall in turnover to £1.48m (£8.07m) reflected the disposal in July of the banking division.

Extraordinary charges of £1.69m (£3.3m) left a retained deficit of £3.08m (£5.05m). *Losses per share emerged at* 0.87p (1.08p).

Office & Electronic

Office and Electronic Machines, which has changed its year end to June, announced a profit of £94,000 pre-tax for the six months to December 31 against losses of £71,000 in the comparable period of 1991.

Turnover, which included £721,000 from discontinued activities, amounted to £2.3m. That compared with £734,000 from discontinued businesses.

Exceptional credits amounted to £265,000 (£385,000).

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Matsushita Electrical Industrial (Japan)	Matsushita Electronics Corp (Japan/Netherlands)	Semiconductors	£1.1bn	Buying out Philips' stake
RJR Nabisco (US)	Unit of Tabacalera (Spain)	Food	£188m	Beats US partial bid
Coca-Cola (US)	Fomento Economico Mexicano (Mexico)	Bottling	£123m	Taking 30% stake
BTP (UK)	Assets of MTM (UK)	Chemicals	£100m	Secures US manufacturing base
Mark IV Industries (US)	Unit of Pirelli (Italy)	Power transmission	£73m	Pirelli completes disposals
T Cowie (UK)	Unit of Fitzwilton (Ireland)	Vehicle distribution	£40m	Fitzwilton refocusing on food
Howden (UK)	Unit of Buffalo Forge (US)	Engineering	£22m	Consolidating global position
Boots (UK)	La Societe Francaise du Triclocarban	Healthcare	£14.6m	Total price for further...
Boots (UK)	Marco Viti (Italy)	Healthcare	n/a	...OTC portfolio development
Kvaerneland (Norway)	Taarup (Denmark)	Agriculture	n/a	Strategic expansion

Gerstner lures Chrysler finance chief to IBM

By Louise Kehoe in San Francisco and Martin Dickson in New York

MR LOU Gerstner, the new chairman of International Business Machines, yesterday made his first top-level executive appointment by naming Mr Jerry York, chief financial officer of Chrysler, to the same position at IBM.

Mr York, 54, has been chief financial officer of Chrysler since May 1990 and has played an important role in the carmaker's successful efforts to cut operating costs by $3bn, sell non-core assets, issue some $3bn in equity and re-negotiate its credit agreements – all in the midst of a severe motor industry recession.

He is well respected on Wall Street, where analysts said his experience would be extremely valuable at IBM, which is struggling to cut costs and return to profitability after two years of heavy losses.

Mr York, who becomes a senior vice-president of IBM, is the first person selected by Mr Gerstner for his corporate management team.

Mr Gerstner, former chairman of foods and tobacco group RJR Nabisco, took over as as chairman and chief executive of IBM on April 1. He replaced Mr John Akers, who retired early because of the group's financial problems.

Mr Frank Metz, IBM chief financial officer, retired in January and had been replaced on a temporary basis by Mr Paul Rizzo, who returned to the group from retirement.

IBM announced last week Mr Rizzo would remain at the company as vice-chairman and would be responsible for manufacturing and development operations on an interim basis.

Mr Gerstner said: "Jerome York not only has extensive financial experience, but he has a significant background in operations as well.

"He has helped lead Chrysler's cost-reduction programmes while successfully managing the company's overall financial portfolio. He will be a valuable member of our team."

Mr York, who worked for Ford and General Motors early in his career, joined Chrysler in 1980.

Continental again passes dividend

By David Waller in Frankfurt

CONTINENTAL, the German tyre company, has decided it would be "premature" to pay its shareholders a dividend for 1992, in spite of a return to profitability after steep losses in 1991.

The company said yesterday that in view of the difficult economic climate shareholders would be better served if profits were transferred to reserves. This will be the second successive year shareholders will receive no dividend.

Continental reported net group profits for last year of DM133m ($82.6m) after a loss of DM128.2m in 1991. The parent company made a profit of DM38m, against a loss of DM417.1m the previous year.

The profits turnround was expected, but the figures imply a sharp downturn in the second half of last year as Continental made profits of DM118m in the first six months of 1992 alone.

Mr Günter Sieber is resigning his post as board member responsible for passenger vehicles due to "differences of business policy". He is being replaced by Mr Wilhelm Schäfer, previously chief executive of Semperit Reifen in Austria.

Austrian banks in takeover struggle

By Ian Rodger in Zurich

CREDITANSTALT-Bankverein, Austria's second-largest bank, is in a stiff fight for its independence following a hostile takeover bid launched last Friday by Raiffeisen Zentralbank Oesterreich (RZB), the clearing house for a large group of rural Austrian savings banks.

RZB said it had offered to buy at least half of the 70 per cent voting stake in Creditanstalt (CA) held by the Austrian Ministry of Finance.

It would propose then to sell itself to CA in return for enough shares to give the Raiffeisen a majority holding – in effect, a reverse takeover.

The proposed merger would create Austria's largest bank, with assets of Sch703bn ($63.2bn), compared with the Sch544bn balance sheet of Bank Austria, itself the result of a merger in September 1991 between Länderbank and the Zentralsparkasse group of savings banks.

Both CA and the Raiffeisen have large non-banking activities, CA mainly in industry and the Raiffeisen in insurance and retailing.

CA said in a terse statement it did not see "any compelling need for growth via mergers".

The bid comes against the background of a long period of severe trading conditions in the Austrian banking industry and the need to reduce the excessive number of banks, branches and employees in the largely publicly-owned sector. The country has one bank branch for every 1,340 people, more than double the ratio in the UK.

The pressure for rationalisation has been intensified by the government's desire to sell its holdings of bank shares and to liberalise laws and regulations affecting banks.

The Raiffeisen, with 1,700 outlets and only Sch185bn in assets, is one of the groups most in need of rationalisation. CA, by contrast, has only 201 outlets and assets of Sch518bn in assets. However, it has been hard hit by loan losses in recent years, initially in international lending, but latterly in the domestic market. Its provisions last year amounted to Sch5.7bn.

The government has been searching for strategic partners for CA, and last year there were contacts with General Electric of the US. Mr Guido Schmidt-Chiari, CA's executive chairman, has said he would prefer to see the government's stake dispersed among institutional investors.

IRI moves to ease financial problems

By Haig Simonian in Milan

IRI, Italy's biggest state holding company, has taken a further step to alleviate its financial difficulties with a L600bn ($402m) cash-for-dividends and tax-credits deal with a group of banks.

The transaction involves tax credits on 1.5bn ordinary shares in IRI's Stet telecommunications subsidiary.

In return for making over the dividends and associated tax credits until the end of 1995, IRI will receive around L600bn.

The transaction is similar but almost twice the size of a similar deal agreed in March involving tax credits on shares in Banca Commerciale Italiana, the large bank controlled by IRI. In that instance, the taker for the tax-credits was Stet.

Separately, Stet reported yesterday that group net profits rose marginally to L1,425bn last year from L1,413bn in 1991.

Group sales climbed sharply to L27,167bn from L22,946bn. Parent company profits rose marginally to L775bn from L761bn in 1991.

The group is paying an unchanged dividend of L100 a share for ordinary shares and L120 a share for savings stock.

Stet said although earnings last year had been affected by the recession, investments remained at L10,637bn. Net group debts amounted to L22,916bn last year.

The latest tax-credits deal involves four banks, only two of which come from within the IRI group.

The four takers are BCI and Credito Italiano (both controlled by IRI), Banco Ambrosiano Veneto and Carimonte Banca.

As with its previous deal involving shares in its subsidiary, IRI stressed the transaction was of limited duration, and could be cancelled by either side prior to the agreed termination date.

IRI is planning an ambitious disposal plan to raise cash to reduce group debts of over L70,000bn.

However, the group has been severely criticised for using "financial engineering", involving deals such as that on shares in its subsidiaries, instead of pushing ahead with asset sales.

Record loss for Hafnia Holding

By Hilary Barnes in Copenhagen

HAFNIA Holding, parent company to the Hafnia insurance group, established a record in Danish corporate losses last year, with a deficit of DKr9.14bn ($1.5bn), against one of DKr1.31bn in 1991.

The previous biggest loss was reported by Unibank in 1992, when the bank was in the red to the tune of DKr1.7bn.

Hafnia Holding's equity capital was turned from a positive DKr3.12bn at the end of 1991 to a negative DKr4.13bn last year, while assets tumbled from DKr9.48bn to DKr2.40bn.

Hafnia's collapse was caused by its investments in Baltica, its Danish rival, and Skandia, the Swedish insurance company. The collapse in the share prices in these two companies wiped out its equity capital last year.

In March, Hafnia's insurance divisions were sold to Codan, the Danish insurance company controlled by the UK's Sun Alliance.

Creditors in Hafnia Holding are due to meet on May 6 to decide whether to force the company into bankruptcy.

Among the biggest creditors are Den Dansk Bank and Germany's Commerz bank.

Ems-Chemie offers to repurchase shares

By Ian Rodger

EMS-CHEMIE, the speciality chemical group led by the controversial Swiss politician Mr Christoph Blocher, is offering to buy back and cancel up to 36 per cent of its bearer shares for SFr550m ($383.5m).

The move is the latest in the group's unusual strategy of distributing excess cash flow. Mr Blocher is sceptical of acquisitions and diversification and believes the company should stick to its business, rather than be a fund manager as well.

Last year, the group repaid a portion of the nominal value of the bearer shares to shareholders in lieu of a dividend.

This year's buy-back offer, also in lieu of a dividend, takes advantage of last year's revisions to Swiss company law permitting such purchases.

The offer, at SFr2,200 per share for up to 250,000 of the 689,646 bearer shares, represents a SFr200 premium on the market price at Friday's close.

BZ Bank Zurich, which is advising Ems, said the offer would not be of interest to individual shareholders because they would have to pay 35 per cent withholding tax on the difference between the buy-back price and the SFr100 nominal value of the shares.

Corporations pay tax only on the difference between book value and the offer price.

Individuals could realise the offer premium without having to face a heavy tax burden by selling in the market.

If the offer were fully subscribed, Mr Blocher's share of the capital, in the form of registered shares, would rise from 18.45 per cent to 26.2 per cent and his voting power from 53.1 per cent to 64 per cent.

Matif to list on Globex

THE Matif, the French futures exchange, will list its French government bond futures and options contracts on Globex, the after-hours trading system, on May 13, writes Tracy Corrigan.

The launch of the so-called "notionnel" contract, the world's second-largest interest rate contract, was postponed in March due to intermittent disconnections of Globex screens in Paris, but this problem has now been largely solved by Reuters, the service provider, according to the Matif.

● Euroclear and Cedel, the two European clearing houses, have set a new target date of September 17 for the implementation of the electronic bridge – the mechanism by which settlement is exchanged between the two systems.

They will miss a June deadline due to further delays in testing.

The new bridge is expected to save the market between $30m and $40m a year.

Support for Kodak head

INDEPENDENT directors of Kodak, the US film-to-pharmaceuticals group, yesterday issued a statement of support for Mr Kay Whitmore, the embattled chairman, but also insisted the company's performance "must be improved significantly", writes Martin Dickson in New York.

The statement followed a plunge in Kodak's share price last week when Mr Christopher Steffen, its new chief financial officer, quit after just 11 weeks because of differences with Mr Whitmore.

Kodak's outside directors said yesterday the board expected management to submit a comprehensive plan, including expense and debt reduction and strategic focus, between now and September.

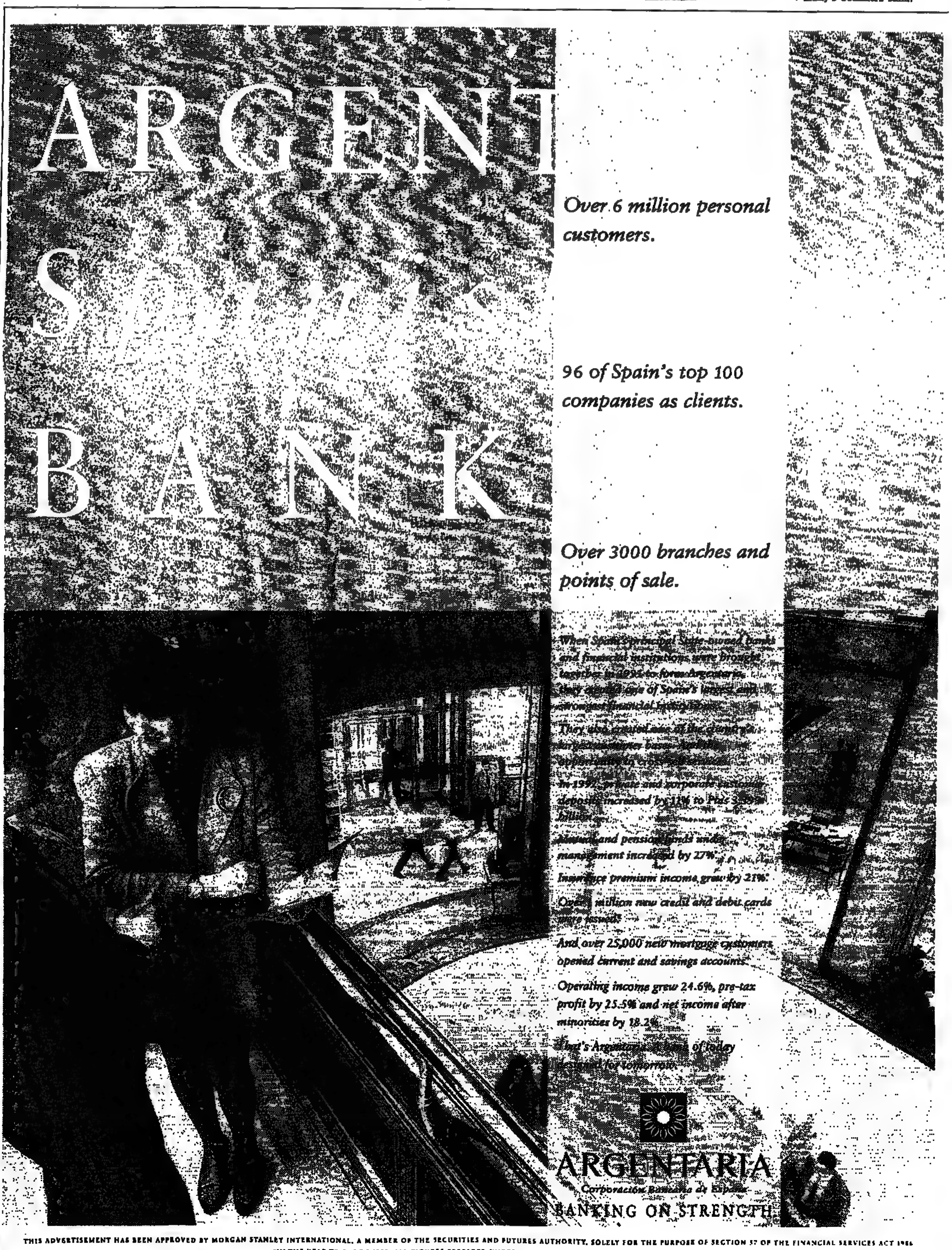
They said they were committed to achieving "significantly greater shareholder value in 1993 and beyond" and fully supported the efforts of Mr Whitmore and senior managers to accomplish this.

CGIP raises FFr338m

By Alice Rawsthorn in Paris

CGIP, the French holding company which recently increased its investment in the CarnaudMetalBox packaging group, has raised FFr338.55m ($62.5m) by selling part of its stake in Cap Gemini Sogeti, the French computer services concern.

Proceeds of the sale, announced last month on publication of 1992 results, will be used to finance the FFr1bn deal in which CGIP raised its holding in CarnaudMetalBox to 32.3 per cent from 25.3 per cent by buying shares from MB-Caradon, the UK building products group. CGIP has sold half its shares in Cap Gemini, representing 4.41 per cent of the latter's equity. It sold 1.85m shares, reportedly to Merrill Lynch, at FFr183 each. The Cap Gemini stake was valued in CGIP's accounts at FFr192m.



INTERNATIONAL CAPITAL MARKETS

UK GILTS

Most investors continue to take bearish view

IT SEEMS a neat conclusion to pin the blame for last week's dive in the UK gilt market on a painful hangover after the Bank of England's £3bn auction of five-year stock.

But two nagging doubts get in the way of this view The first is the auction was not as bad as all that. The second is there were plenty of other much more serious reasons for the fall.

The auction of 7¼ per cent bonds due 1998 was covered 1.77 times, which only looks weak in the light of some highly-optimistic estimates that it would be at least three times covered. More sober commentators stayed in the 1.5 to 2 range.

A background of tight institutional cash-flow raises the question of where this hypothetical £9bn of cash would have come from for three times cover, especially as there was little reason to switch from UK equities to gilts.

The answer was supposed to be: from overseas. But the evidence suggests foreign investors had come into the market ahead of the auction, benefiting from the strengthening of the pound from a low of DM2.32 in February.

By Wednesday, the attraction of UK gilts had diminished. The pound had risen to about DM2.50 and a growing raft of upbeat economic news had doused hopes of further interest rate cuts and reawakened fears of inflation.

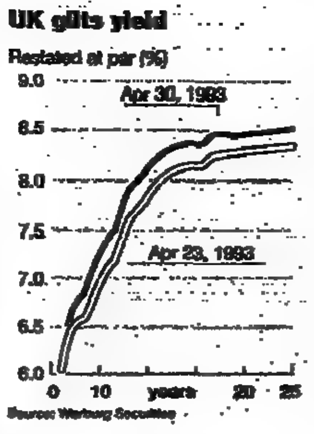
This leads into the more serious concerns which increasingly undermined the market throughout April.

At the beginning of the month, the June gilt futures contract hit a high level of 107.16. But by Thursday it had shed four points, reflecting general unease about the outlook for gilts.

The market is refocusing on

UK gilts yield

Restated at par (%)



Source: Warburg Securities

the sheer size and duration of the debt financing exercise. "The age-old question is: who will buy £50bn of gilts?" said Mr John Shepperd, an economist at SG Warburg.

He pointed out that the amount was roughly twice the estimated £25bn to £30bn of domestic institutional cash flow this year. If overseas investors were not active buyers of gilts, fears would be raised of a cash crunch, he said.

To lure them in, yields – and yield spreads over the benchmark German bund – will probably have to go up.

Mr Ifty Islam, an economist at Barclays de Zoete Wedd, predicted that the yield on the benchmark 10-year gilt would continue to rise from 8.1 per cent at the end of the week to 8.3 per cent in June.

If this provided a gilt-bund yield spread of 150 basis points, it would attract overseas inflows.

Currency movements were a crucial factor. "When sterling was at DM2.32, a gilt-bund spread of 100 basis points would probably have been sufficient given the cheapness of the currency," Mr Islam said.

Apart from the supply headache, two other factors are bugging the market. The first is the string of good news on the economy.

Last week, GDP figures showed non-oil growth of 0.6 per cent in the first quarter over the last quarter of 1992. Then the Confederation of British Industry reported a surge in business confidence to its highest level for 10 years. This came on top of previous upbeat headlines about unemployment and retail sales.

This is seen as all but ruling out a further cut in the base rate from 6 per cent, although some economists feel this bearish assumption for the gilt market has been overdone.

Worse still, it has reawakened fears in the fixed income market of inflation.

As one marketmaker said: "Can the government control the economy so that we can have non-inflationary, sustainable growth? The answer is no."

Not everyone agrees with that answer. But the question "will it be different this time?" is a universal one. Those with a rosier view of the inflation outlook point to such comfort factors as high unemployment, lower earnings growth and under-used capacity.

What emerged last week is that the bears have it for the time being. After the futures contract fell through its key support level at 104.30, a new floor of 102.1 was being suggested.

Jane Fuller

US MONEY AND CREDIT

Prices marked higher as fears of inflation subside

THE US bond market has been lacking direction for several weeks now. Last week, as little categorical information emerged on either the political or economic fronts, there was no reason for this to change.

With all sorts of political question marks hanging over the Clinton economic package, traders attempted to focus on more tangible data about the economy's progress. For the first four trading sessions, this was mildly discouraging.

The gold price rally spurred fears that inflation may be creeping back into the system, while the consumer confidence figures for April showed a fairly significant rise, reinforcing this impression.

By Thursday night, the yield on the benchmark 30-year long bond had risen from 6.79 per cent at the end of the previous week, back to 6.91 per cent.

But on Friday, bond prices suddenly reversed direction, taking heed of the Commerce Department's latest report on gross domestic product. This showed the value of goods and services produced in the US advanced at an annualised rate of 1.8 per cent in the first quarter 1993.

This compared with the significant 4.7 per cent rate seen in the last quarter of 1992. For bond traders, it was confirmation the steam had gone out of the recovery, and that the trek out of recession would be slow, uphill work.

A WEAKER-than-expected purchasing managers' report boosted longer-dated US Treasury prices yesterday, writes Patrick Harverson in New York. In late morning trading, the benchmark 30-year government bond was up $\frac{9}{32}$ at $103\frac{1}{32}$, yielding 6.866 per cent. At the short end, the two-year note was up $\frac{1}{32}$ at $100\frac{3}{8}$, to yield 3.760 per cent.

With the embryonic inflation fears temporarily allayed, traders marked bond prices higher, pushing down yields. The long bond ended at $103\frac{1}{32}$, up by almost half a point, where it yielded 6.88 per cent.

The coming week, however, may be more testing. Friday will bring the April jobs data, widely expected to show a rebound for the weather-depressed slide in the previous month. The question is, how big will the revival be?

The consensus centres on a fairly modest recovery, coming mainly in the construction sector and with manufacturing employment growth remaining lacklustre. Most pundits are predicting the overall unemployment rate will be unchanged at 7 per cent. However, any significant progress in the jobs market could reawaken the inflation fears.

On a different front, bond traders must also absorb the Treasury's plans for this month's quarterly auction and its related report on how its borrowing costs can be reduced.

Most traders agree the report will focus on the role which longer-dated securities – and the 30-year long bond in particular – will play in the government's future funding efforts. In an effort to prune borrowing costs, the Treasury could choose to issue more shorter-dated, low-yielding securities.

If so, smaller auctions of 30-year bonds could tighten the market for the stock and push prices higher.

That said, treasury secretary Lloyd Bentsen has pledged there will be no radical change – although he has never specified exactly what this might mean, and there are strong political reasons for saving the maximum number of dollars this way. Conversely, with interest rates at a low ebb, this could be a poor time in the interest rate cycle to start shortening the maturity of government debt.

Analysts at Donaldson, Lufkin & Jenrette, for example, advise that the 30-year bond offering be reduced by $1bn to $8.25bn, the 10-year note by $500m to $10.25bn, and the size of the three-year note issue be unchanged at $15.5bn – an overall package of $34bn.

Nikki Tait

CANADIAN GOVERNMENT BONDS

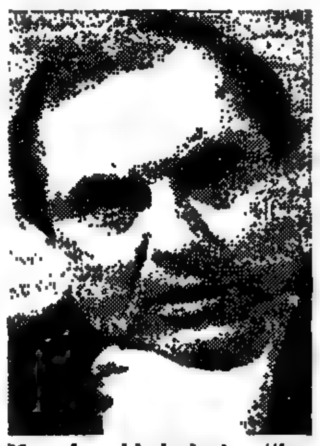
Buyers are undeterred by uncertainties

THE Canadian bond market suffered its nastiest jolt for some time last week. Long-term bond yields jumped more than one-third of a percentage point in a single day after being hit first by unexpectedly mild spending cuts in the federal budget, then by a domestic rating agency's downgrade of federal government debt.

The question now is whether this setback to a market often seen as a high-yielding surrogate for US Treasuries was a storm in a teacup, or the precursor of a bumpy – and mostly downward – ride for the rest of the year.

Several forthcoming events could again unsettle Canadian bonds. All eyes are on the Ontario provincial budget, due to be tabled in mid-May. The provincial government has pledged a bracing combination of spending cuts and higher taxes to contain a runaway budget deficit.

But the market remains unsure whether the social-democrat government will deliver. A shortfall of more than C$10bn-C$12bn in the fiscal year to March 31 1994 (last year's deficit was C$11bn) could again knock the wind out of all Canadian bonds.



Mazankowski: budget neither cut taxes nor raised spending

Other uncertainties centre on the ruling Progressive Conservative party's vote on June 13 for a successor to prime minister Brian Mulroney, and the outcome of the general election which the new leader will call before the end of autumn.

For the time being, however, evidence abounds that the market has put the April 26 budget surprise behind it. Since the budget, "all we've seen have been buyers," says one London-based securities dealer.

The gap between US and Canadian bonds, which widened sharply on the day after the budget, is almost back to pre-budget levels. According to Royal Bank of Canada, the five-year spread had narrowed to 182 basis points by last Friday from a peak during the week of 226 points.

The market is rewarding those provinces which have brought down belt-tightening budgets. The gap between 10-year provincial and government of Canada yields has narrowed by 10-15 basis points over the past month.

Criticism of the federal budget is centred less on its contents than on the expectations of deep spending cuts built up by finance minister Don Mazankowski ahead of budget day.

Ms Anita Lauria, who covers Canada for Salomon Brothers in New York, says projected annual spending increases of 1.7 per cent over the next five years make the budget "quite austere". She notes that, despite this being an election year, Mr Mazankowski neither lowered taxes nor pumped up government outlays.

Canadian Bond Rating Service downgraded Ottawa's debt from Triple A to Double A plus the day after the budget speech, but no other agency has so far joined it or even put Canada on rating alert.

Mr Daniel Kelly, vice-president for fixed-income research at Wood Gundy in Toronto, says that much will depend in coming weeks on the course of the Canadian dollar. One positive sign was last Friday's report that Canada's GDP grew by a seasonally-adjusted 0.4 per cent in February, equal to an annual growth rate of about 4 per cent.

But few investors are likely to take a strong view on the direction of either the dollar or bond prices until the Ontario budget is out of the way.

Bernard Simon

FT/ISMA INTERNATIONAL BOND SERVICE

[illegible]

	Issued	Bid price	Chg on week	Yield
QUEBEC HYDRO 9 3/4 98	150	115¾	-⅛	6.22
QUEBEC PROV 9 98	200	112	-⅛	6.11
QUEENSLAND GOVT 10 1/4 95	100	111⅝	-⅛	4.70
RALSTON PURINA 11 3/4 95	150	111⅞	-⅛	5.34
REED PUBLISHING 9 5/8 97	150	113⅞	-¼	6.92
SAINSBURY 9 1/8 96	150	111	-⅛	5.49
SANDOZ O/S FIN 6 3/8 00	300	102⅛	-⅛	5.88
SAS 10 99	200	112¼	-⅛	7.33
SAS 10 1/8 95	150	109¾	-⅛	5.90
SBAB 9 1/2 95	500	109½	-⅛	4.61
SBC FINANCE 7 3/4 98	200	108½	-⅛	5.01
SEARS EURO TRUST 8 3/4 95	750	109¼		5.29

[illegible]

	Issued	Bid price	Chg on week	Yield
[illegible] 7 1/2 02	400	104¼	-1	6.63
FINLAND 7 1/2 00	3000	102	-⅛	7.11
IRELAND 7 3/4 02	500	103⅝	-⅛	7.20
ITALY 7 1/4 98	5000	101	-⅛	6.99
KFW INTL FINANCE 7 1/4 97	1600	103¼	-⅛	6.43
SPAIN 7 1/4 03	4000	101	-⅛	7.10
SWEDEN 8 97	2500	104⅛	-⅛	6.82
TOKYO ELEC POWER 7 5/8 02	1000	104⅛	-1⅛	7.01
UNITED KINGDOM 7 1/8 97	5000	102⅞	-⅛	6.48
VOLKSWAGEN COM 8 5/8 97	400	105½	-⅛	7.08
WORLD BANK 0 15	2000	23¼	-½	8.66
WORLD BANK 6 3/4 98	300	98⅝		8.28
WORLD BANK 8 3/4 00	1250	111½	-½	6.63

[illegible]

	Expiry	Bid	Chg on week	Prem
HANKYU DEPT STORES	14/03/96	6⅝	+1⅛	49.45
HINO MOTORS	06/07/94	2¼	+1	42.14
KOBE STEEL	12/06/96	4⅞	+1¼	54.67
MITSUI TOATSU CHEM	30/01/98	4⅞	+1⅞	
MORINAGA	13/06/95	12⅝	+⅞	17.32
NICHIREI CORP	11/06/98	19½	+1½	23.77
NIPPON COMSYS	31/01/95	20⅞	+5¼	11.53
NISSHIN STEEL	18/04/96	3⅞	+1⅞	65.93
OKURA	30/01/96	8½	+3⅞	40.67
ROYAL HOTEL	14/03/95	⅞		
SMC	25/07/95	4⅞	+1½	67.27
TAKASHIMAYA	02/07/98	9⅞	+⅞	28.09
TOYO SASH	05/08/97	7	+1⅞	87.49

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn=current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.

Closing prices on April 30

INTERNATIONAL CAPITAL MARKETS

Gradual recovery from Europe's currency crisis

THE European currency crisis last year helped fan concerns about some sovereign credits. Three were particularly badly hit: Sweden, Finland and Italy. Eurobond yield spreads in these sovereign credits ballooned as rating agencies downgraded their debt, and the fight back has proved a difficult one.

Swedish borrowers have been the quickest to recover. Last week's $200m five-year deal for Spintab, the Swedish mortgage bank, launched at 85 basis points over the comparable US Treasury, showed a marked spread contraction. A five-year Spintab deal launched in April 1992 at 80 basis points over the curve had widened to 135 basis points by November.

Sweden's continuing presence in the primary market, paying higher spreads where needed, has proved successful. Its cost of funds has fallen from about 25 basis points over Libor on D-Mark and sterling deals at the end of last year, to just above Libor on recent French franc and Canadian dollar issues.

Finland, which fared rather worse, followed the same pattern. Finnish Export Credit's funding costs, which rose as high as 50 basis points over Libor, are closer to Libor flat now. However, Finnish banks would still find it difficult to come to the market.

Italy is having the roughest ride. It is still trading largely on an asset-swap basis. This means that, unlike most high-quality debt, gauged in terms of its yield spread above the relevant government bond, it is treated as a high-yielding floating-rate asset, viewed in terms of the margin over Libor produced by asset-swapping. In these terms, Italy's 10-year Eurobonds are trading at 50 basis points above Libor.

Last month, Italian Treasury officials hosted presentations in London in the hopes of addressing some of the concerns of international investors.

Italy is expected to return to the Eurobond market once Moody's has completed its latest review of the country. In March, Moody's placed Italy's AA3 rating under review for possible downgrade. If a downgrade goes ahead, the potential investor base for Italian debt will shrink further, as many investors cannot buy debt rated below AA.

Tracy Corrigan

Asia may offer opportunities

INTERNATIONAL investors are well-acquainted with the Asian stock markets, but tend to be far less familiar with the region's bond markets, most of which are small and undeveloped. However, as investors scour the globe for a wider range of investments, some are asking whether the Asian bond markets can provide interesting investment opportunities.

The outlook for fixed income securities markets in the Asian-Pacific rim is brightening, according to a recent report from the OECD* which looks at the debt securities markets in the "Dynamic Asian Economies" (DAEs) of Hong Kong, Korea, Malaysia, Singapore, Taiwan and Thailand.

The OECD report points out that "the promotion of these [debt] markets has become an almost common goal of government policy among the DAEs" for several reasons.

These include a perceived increase in government borrowing needs (for example, for large infrastructure projects), the desire to have a broader range of monetary instruments and the need for a wider variety of means by which private enterprises can raise money.

The Asian Development Bank has taken some steps towards promoting the Asian capital markets. In 1991, it launched its so-called Dragon Bond – a bond issued in the main Asian bond markets. The aim was to widen its investor base in the region, diversifying its own funding sources away from the Euromarket, Yankee bond and Japanese markets, and to encourage other bond issuers to use the Asian capital markets.

Mr Andrew Ferguson, deputy managing director of Wardley in Hong Kong, the local lead manager for the ADB's Dragon bond issue in 1991, says in the OECD report that the ADB's issue has alerted other multilateral development agencies and triple-A issuers to the possibility of tapping the Asian market now that a useful benchmark issue has been established.

"Regulatory controls that have impeded the development of the capital markets have been brought into sharper focus, questioned and, in some cases, relaxed," Mr Ferguson says.

Even so, problems remain. Mr Robert Pozen, a managing director of Fidelity Investments in Boston, points out in the OECD report that big US investors prize the following attributes when considering whether to buy a country's sovereign debt: political stability; the ability to service debt; a fully convertible currency; unrestricted capital movement; market liquidity; and reliable pricing.

One global securities house which has made a preliminary study of the investment opportunities available in Asia highlights poor secondary market liquidity as the key obstacle when it comes to investing in the region's debt markets.

On the demand side, the report notes that many investors prefer to hold debt until maturity for tax reasons, which does little to encourage secondary market activity.

The OECD sees the existence of controlled interest rates – particularly in countries such as Korea, Malaysia, and Thailand – as a severe obstacle in the creation of more liquid markets.

It points out that the effective yields of the bonds are below free-market levels "with the result that the securities are only held by captive holders, that is, financial institutions which are required to do so to fulfil reserve and liquidity requirements."

Sara Webb

**Emerging Bond Markets in the Dynamic Asian Economies. Published by the Organisation for Economic Co-operation and Development.*

RISK AND REWARD

Computer-based approach to stock-picking

BARR Rosenberg probably knows as much about the use of computers in taking investment decisions as anyone. Barr, a consultancy whose risk management model is used widely by quantitative investment managers, was founded in his basement in Berkeley, California. It still bears his name, though he left eight years ago to put his money where his mouth is and set up a fund management firm. It now has $4bn under management.

The recessionary 1990s, though, proved there is nothing infallible about computer-based stock-pickers. They make mistakes just like their human counterparts. And like humans, they try to learn from those mistakes.

Rosenberg's approach is close to that of an active stock-picker, rather than that of the typical quantitative investment manager.

His computer sifts the details of individual companies in search of undervalued stocks, using an extensive historical database. The database is the key to such computer-based investing: Rosenberg's firm has just spent three years building a database of 28,000 European companies to add to its existing US and Far Eastern systems.

The "bottom-up" technique sets Rosenberg apart from most active quantitative managers, who start with a portfolio that matches a particular index and then "tilt" it towards particular characteristics to try to outperform the index.

The Rosenberg system looks at the fundamentals which should affect a company's performance in different circumstances, and tries to assess how the market is likely to appraise the fundamentals.

Theory suggests, for instance, that cash on a company's balance sheet is worth less to investors than its face value, due to the tax that would have to be deducted if it was paid out. In practice, though, each dollar of cash held by a company is always valued by the stock market at *more* than a dollar: the sight of cash gives investors confidence. This is especially true during a recession, when the stock market valuation of $1 of cash typically rises to $1.45, says Rosenberg.

It is assessments like these, drawn from historic experience, and the consistent, systematic and comprehensive approach which are meant to give the computer its edge. Rosenberg targets a return of 4 per cent over whatever benchmark his computer is measured against, and is paid on results.

The 1990s have not been kind to this method. The Rosenberg computer underperformed by between 4 per cent and 5 per cent for two years running. "Our system was not as wise as we would have liked," says Mr Rosenberg ruefully, though he claims to have emerged with a more robust model.

The computer proved incapable of anticipating how both companies and investors would behave in the depths of the US recession. For a start, it produced a weighting towards companies which exhibited balance sheet strength.

Many of these companies, says Rosenberg, reported one-off charges or other non-recurring items as they used the recession to reduce staff or otherwise rationalise their businesses. Stronger companies were best able to take these charges, and so suffered some of the biggest earnings reductions.

The computer also failed to predict how investors would flee into what they saw as "quality" stocks. The portfolio of stocks it selected may have exhibited adequate risk-diversification qualities according to modern portfolio theory, but that is of little use if the bulk of investors choose to act "irrationally" – that is, in a different way than the one predicted in the text books.

Do these experiences invalidate the use of computers, at least as applied by Rosenberg? Not necessarily. His system has achieved an average outperformance of 2 per cent a year over the past eight years, even after the bad years. It is also "learning": earnings forecasts have been added to the system, along with a model which attempts to analyse market sentiment. "If you can think of a reason to override the system, then you should make the system better," says Rosenberg.

Richard Waters

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Merrill Lynch & Co.(a)‡	100	May.2003	(a)	100.125	-	-	Merrill Lynch Intl.
Intl.Nederlanden Bank(b)	100	May.2003	(b)	100R	-	-	Morgan Stanley Intl.
Banco Bradesco(c)#	50	Nov.1995	9	100.143R	8.935	(c)	Deutsche Bank London
Export Import Bk. of Japan	300	May.2005	6.25	98.692R	6.410	+33 (6¼%-03)	Merrill Lynch Intl.
Osaka Gas	250	May.1998	5.75	99.889R	5.776	-	Goldman Sachs Intl.
Citicorp(f)‡	200	Aug.2003	(f)	99.50R	-	-	Kidder Peabody Intl.
Spintab(m)	200	May.1998	6	99.535R	6.111	-	JP Morgan
Urban Mort. Bk.of Sweden(n)‡	150	May.1995	(n)	99.76R	-	-	Nomura Intl.
Republic of Colombia#	125	May.1998	7.125	99.237R	7.310	-	Bankers Trust Intl.
Banco Economico#	70	Dec.1994	9.5	99.48R	9.852	+610 (4¼%-95)	Paribas Cap. Markets
Crédit Comm. de France(o)‡	150	May.2003	(o)	99.75R	-	-	Goldman Sachs Intl./UBS
Mortgage Bk. of Denmark(p)‡	100	June.2005	(p)	100R	-	-	Kidder Peabody Intl.
WestLB Finance Curaçao(q)‡	150	May.2003	(q)	99.875R	-	-	Lehman Brothers Intl.
YEN							
Daido Steel Co.	20bn	Aug.1997	4.8	100.05R	4.781	-	Yamaichi Intl. (Europe)
Nissho Iwai Europe(g)	5bn	Aug.1994	3.68	100.11R	3.579	-	Sanwa Intl.
Nippon Oil Finance(Neth.)(h)	3bn	May.1998	4.35(h)	100.30R	4.282	-	Fuji Intl. Finance
Capcom Co.(k)§#	12bn	Sep.1997	1.5	100	-	-	Nomura International
FRENCH FRANCS							
Deutsche Bk. Fin. Curaçao	2bn	May.1998	7	99.82R	7.068	+20 (9.8%-98)	Deutsche Bk. France
European Coal & Steel Comm.	1.5bn	May.2003	7	97.785R	7.320	+15 (8½%-03)	BNP/CDC/Dresd/Warburg
Credit National	2bn	May.2003	7.25	98.01R	7.540	+47 (8.75-03)	Banque Paribas
Credit National(i)	1bn	April.1998	7.375	100.33R	7.241	+38 (8.8-98)	Banque Paribas
Kingdom of Sweden	3bn	May.2000	7.25	99.627R	7.320	+35 (8½%-00)	Banque National de Paris
STERLING							
Eurofima(d)	75	Feb.1998	7.5	100.25R	7.420	+20 (7¼%-98)	Daiwa Europe
Forte§#	90	May.2008	6.75	100	6.750	-	UBS
Crédit Local de France(j)	25	Dec.1998	7.25	98.58R	7.557	+40 (7¼%-98)	NatWest Capital Markets
BUPA Finance(r)	100	Dec.2018	10.5	98.220R	10.69	+186 (9%-12)	Samuel Montagu
Nordic Invl. Bank(s)	25	Aug.1998	7.75	99.90R	7.762	-	Nikko Europe
CANADIAN DOLLARS							
Gen. Electric Cap. Canada	150	Nov.1998	7.25	99.125R	7.435	+45 (6½-98)	Wood Gundy
Bayer Vereinsbank	100	Dec.1998	7.25	99.025R	7.468	+52 (6¾%-98)	Hambros Bk./Bayer.Ver.
Deutsche Bk.Fin.Curaçao(t)‡	30	Sep.2002	(t)	(t)	-	-	Deutsche Bank
ITALIAN LIRA							
Banque Nationale de Paris	150	May.2003	10.85	101.85	10.542	-	Bca.Commerciale Ital.
Bayerische Landesbank	300bn	Mar.2003	10.75	101.75	10.439	-	M. di Paschi di Siena
British Gas Intl. Finance	150bn	May.2008	10.75	101.71	10.466	-	BAI (Deutsche Bk Grp.)
SWISS FRANCS							
Fudo Construction(e)◊*	100	May.1997	0.5	100	0.5	-	Nikko Bank
Swedish Nat. Housing Fin.*	150	June.1999	5	101.75	4.659	-	Banque Paribas
Kobe Electric Railway◊*	90	May.1997	0.5	100	-	-	Bca.della Svizzera Italiana
Fuji Oil Co.*	100	May.1998	5	101.125	4.742	-	IBJ (Suisse)
LUXEMBOURG FRANCS							
CSFB Finance (Netherlands)	2bn	June.2000	7.75	101.875	7.402	-	Crédit Européen

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. *Private placement. §Convertible. ◊With equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price. a) Issue launched on 21/4/93 was increased to $250m. Coupon pays 6-month Libor flat; minimum 5.125%, maximum 9%. b) Coupon pays 25bp below 6-month Libor; minimum 5.1875%, maximum 8.125%. c) Spread is over interpolated yield curve. d) Fungible with outstanding £100m deal launched 14.1.93. Fees undisclosed. e) Denom: SFr50,000 + 50 warrants. Exercise price: Y687. FX: Y79.05/SFr. f) Subordinated issue. Coupon pays 0.125% below 3-month Libor and payable quarterly. Minimum interest 5¼%, maximum 10%. g) Issued under a Euro-medium term note programme. h) Coupon pays 4.35% fixed until August 1995 then 25bp over 3-month Yen Libor thereafter. i) Fungible with outstanding FFr1.5bn. Plus 22 days accrued interest. j) Fungible with outstanding £100m. Plus 82 days accrued interest. Fees undisclosed. k) Conversion price: Y8713. Closing price: Y8500. Callable from 1/4/94 subject to 130% rule. l) Denom: SFr50,000 + 50 warrants. Exercise price Y718. FX: Y78.80/SFr. m) Issue carries Letter of Comfort from Swedish Minister of Finance. n) Coupon pays 0.375% above 3-month Libor and payable semi-annually. o) Coupon pays 6-month Libor - 0.25%. p) Coupon pays 6-month Libor - 0.20%; minimum 5%, maximum 8%. q) Issue increased from $100m. Coupon pays 6-month Libor - 0.25%; minimum 5%, maximum 8%. r) Subordinated issue. Callable at par in 2013. s) Fungible with outstanding £100m deal. Plus 180 days accrued interest. Fees undisclosed. t) Fungible with outstanding C$375m deal. Coupon pays 30bp below Canadian Bankers acceptance. Minimum 5¾%, maximum 8¾%. Fees and issue price undisclosed. Note: Yields are calculated on ISMA basis.

WORLD STOCK MARKETS

CANADA

TORONTO

4 pm close May 3

MONTREAL

4 pm close May 3

INDICES

NEW YORK

DOW JONES

	Apr 30	Apr 29	Apr 28	Apr 27	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3427.55	3425.12	3413.50	3415.93	3478.61 (16/4)	3241.95 (20/1)	3478.61 (16/4/93)	41.22 (2/7/32)
Home Bonds	107.23	106.83	106.81	106.69	107.23 (30/4)	103.49 (11/1)	501.97 (27/4/93)	54.99 (1/10/81)
Transport	1592.84	1587.40	1594.65	1599.45	1683.06 (16/4)	1463.84 (4/1)	1683.06 (16/4/93)	12.32 (8/7/32)
Utilities	235.35	239.67	238.98	239.23	247.66 (16/4)	217.14 (8/1)	247.66 (16/4/93)	10.50 (8/4/32)

DJ Ind. Day's High 3468.18 (3444.87) Low 3405.39 (3377.57) (Theoretical♠)
Day's High 3446.92 (3426.47) Low 3422.88 (3392.70) (Actual♠)

STANDARD AND POOR'S

	Apr 30	Apr 29	Apr 28	Apr 27	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	440.19	438.85	438.02	438.01	456.33 (10/3)	429.05 (8/1)	456.33 (10/3/93)	4.40 (1/6/32)
Industrials♥	504.84	503.35	502.89	501.83	524.88 (10/3)	495.48 (26/4)	524.88 (10/3/93)	3.62 (21/6/32)
Financial	43.16	42.67	42.64	42.65	46.67 (13/4)	39.89 (8/1)	46.67 (13/4/93)	8.64 (1/10/74)
NYSE Composite	243.46	242.49	241.90	241.93	251.36 (10/3)	236.21 (8/1)	251.36 (10/3/93)	4.46 (28/4/42)
Amex Mkt. Value	420.98	418.75	416.76	415.84	423.43 (31/3)	395.84 (8/1)	423.43 (31/3/93)	29.31 (9/12/72)
NASDAQ Composite	661.42	658.45	656.16	652.52	708.85 (4/2)	645.87 (26/4)	708.85 (4/2/93)	54.87 (31/10/72)

	Apr 23	Apr 16	Apr 9	year ago (approx.)
Dow Industrial Div. Yield	3.01	3.04	2.99	2.80

	Apr 28	Apr 21	Apr 14	year ago (approx.)
S & P Industrial div. yield	2.56	2.54	2.52	2.63
S & P Ind. P/E ratio	25.77	26.92	26.09	26.60

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Telefonos	4,463,600	47¼	- ⅛
United Inc	3,073,300	22⅛	- ⅛
Philip Morris	3,102,800	47	- ¼
Eastman Kodak	3,005,000	48⅞	+ ½
Humana	2,954,200	8¼	+ ½
RJR Nabisco	2,871,900	8⅞	- ⅛
Citicorp	2,727,000	27⅞	+ ⅛
Wal-Mart Stores	2,570,300	28⅞	- ⅛
Merck	2,370,800	37	---
General Motors	2,160,400	41	---

TRADING ACTIVITY

† Volume (Millions)	Apr 30	Apr 29	Apr 28
New York SE	230.113	244.793	266.695
Amex	13.851	15.458	15.408
NASDAQ	(a)	204.906	220.610
NYSE			
Issues Traded	2,494	2,493	2,495
Rises	1,208	1,018	977
Falls	672	862	901
Unchanged	614	616	617
New Highs	71	48	41
New Lows	21	33	25

CANADA

TORONTO

	Apr 30	Apr 29	Apr 28	Apr 27	1993 HIGH	1993 LOW
Metals & Minerals	2870.67	2852.39	2854.59	2856.26	2972.25 (9/2)	2743.31 (21/1)
Composite	3789.40	3755.10	3710.20	3691.22	3789.40 (30/4)	3275.89 (21/1)
MONTREAL Portfolio	1893.18	1869.29	1841.82	1834.94	1893.18 (30/4)	1720.97 (21/1)

Base values of all indices are 100 except NYSE All Common - 50; Standard and Poor's - 10; and Toronto Composite and Metals - 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (a) Unavailable. ♠ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

					1993 HIGH	1993 LOW
THAILAND Bangkok SET (30/4/75)	(c)	845.20	849.57	858.65	990.44 (25/1)	845.20 (30/4)
WORLD M.S. Capital Intl.(1/1/70) $	560.1*	561.1	556.4	555.6	561.10 (30/4)	498.60 (13/1)
Euro Top-100 (26/6/90)	954.86	953.13	948.10	956.32	969.47 (22/4)	862.73 (13/1)

**Saturday May 1: Taiwan Weighted Price; 4,501.00, Korea Comp Ex. 717.85.
♥ Subject to official recalculation.
*Calculated at 15.00 GMT.

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX - 1,000, JSE Gold - 255.7, JSE 20 Industrials - 264.3 and Australia All Ordinary and Mining - 500. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Friday April 30 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Oil	22.1m	854	+53	Hitachi	15.6m	937	+42
NEC	19.6m	1,050	+20	Mitsubishi Hvy	14.1m	709	+21
Fujitsu	19.0m	800	+39	Toshiba	13.0m	774	+25
Mitsui Mining	17.5m	553	+8	JAL	12.7m	680	+30
Sumitomo Mt Mn	17.1m	1,090	+20	Nippon Steel	9.4m	414	+17

AUSTRIA

FRANCE

GERMANY (continued)

NETHERLANDS

SWEDEN (continued)

BELGIUM/LUXEMBOURG

SWITZERLAND

NORWAY

DENMARK

SPAIN

ITALY

SOUTH AFRICA

FINLAND

GERMANY

IRELAND

JAPAN

AUSTRALIA

AUSTRALIA (continued)

HONG KONG

MALAYSIA

SINGAPORE

WORLD STOCK MARKETS

AMERICA

Dow hesitates as doubts grow over recovery

Wall Street

US share prices struggled to make headway yesterday after news of a decline in manufacturing activity raised fresh doubts over the strength of the economic recovery, *writes Patrick Harverson in New York.*

At midday, the Dow Jones Industrial Average was unchanged at 3,427.55. The more broadly based Standard & Poor's 500 was down 0.71 at 439.48, while the American SE composite was 0.07 firmer at 421.03 and the Nasdaq composite up 2.03 at 663.45. Trading volume on the New York SE came to 97m shares at noon.

The markets opened the week in a cautious mood. The first-quarter reporting season proved that corporate profitability is improving, but a slew of recent evidence suggesting that economic growth is slowing down has clouded the outlook for future earnings.

Yesterday's economic data was especially disturbing. The National Association of Purchasing Management reported that its index of business activity fell to 49.7 per cent last month, from 53.4 per cent in March. A measure below 50 per cent is indicative of a contracting manufacturing sector, and it is the first time the index has been below 50 per cent since September 1992.

Coupled with news of a small decline in March construction spending, the NAPM added to investors' concern about the state of the economy. The fact that share prices managed to hold their ground yesterday was primarily due to the rise in bond prices that was triggered by the NAPM data. The benchmark 30-year government bond rose well over half a point, pushing the yield down to 6.873 per cent.

Among individual stocks, Eastman Kodak, which has suffered recently because of the turmoil among the company's top management, rallied $⅝ to $49⅝ in busy trading after Kodak's independent board of directors called for a significant improvement in the company's performance, a call that was seen as backing for Kodak's chairman, Mr Kay Whitmore.

Minnesota Mining & Manufacturing rose $1⅞ to $113 after the company unveiled first-quarter net income of $1.51 a share, up from $1.38 a share a year earlier.

Brokerage stocks, a sector hit recently by profit-taking, were in demand as investors took note of the recent heavy trading activity on domestic stock markets. PaineWebber rose $⅝ to $24⅞, Bear Stearns added $¼ at $20¼ and Merrill Lynch firmed $¼ to $70¼.

Oil issues, which climbed sharply last week on brokers' recommendations, retreated yesterday. Chevron weakened $1 to $85⅛, Exxon slipped $⅝ to $65½ and Mobil softened $⅝ to $70⅞.

On the Nasdaq market, Chiron jumped $3¼ to $57½ on news that in recent tests a herpes vaccine produced by the company in a joint venture with Ciba-Geigy was shown to significantly reduce the frequency of outbreaks.

Canada

TORONTO fell in early trade on profit-taking. The TSE-300 index slipped 11.38 to 3,778.03 in turnover of 17.3m shares valued at C$150.85m. Declines outpaced advances by 209 to 200, with 223 issues steady.

The conglomerates sector saw Canadian Pacific, one of last week's solid gainers, relinquishing C$⅜ to C$20⅜ in brisk trade.

SOUTH AFRICA

GOLD shares gained ground, the index adding 44, or 3 per cent, at 1,505, but after an intraday high of 1,531. The overall index also put on 44 to close at 3,777, while industrials rose 16 to 4,367. De Beers moved up R2.50 to R80.75.

EUROPE

Euro Disney regains favour with rise of 3%

WITH THE UK and Tokyo closed yesterday, trading in continental Europe generally lacked direction and volume.

PARIS lost a little momentum in late trading as the CAC-40 index finished 2.06 easier at 1,936.97

Euro Disney was back in favour, improving some 3 per cent to close FFr2.35 up at FFr75.85, helped by last Friday's announcement of the appointment of a new chief financial officer. There was also speculation that the group might reveal further restructuring proposals this week.

Michelin suffered another fall after Friday's 6 per cent loss, finishing FFr1.80 lower at FFr141.70. Peugeot declined FFr5 to FFr550.

CGIP, up FFr20 at FFr1,090, confirmed that it had sold part of its stake in Cap Gemini Sogeti, down FFr4.50, or 2.3 per cent, at FFr189.00.

MILAN found comfort in the growing view that Prime Minister Carlo Azeglio Ciampi will be able to stitch back together a broadly based coalition government, possibly including the ministers who resigned last week. The Comit index rose 12.32, or 2.3 per cent, to 538.62, but trading volume was restrained.

This takes prices back to around the levels of last Thursday before the resignations prompted a sell-off by private domestic investors early on Friday and institutions stepped in to recoup some of the losses.

Analysts expect the market to remain around current levels until Mr Ciampi's government announces a programme and puts it to a parliamentary vote on Thursday.

Mr Fabio Ferrando of Albertini in Milan said: "Given the current political and economic situation, the support of the PDS to the government would be a good thing because broad support will mean a strong government able to take tough decisions. The next step will be to see whether Mr Ciampi wins Thursday's vote of confidence. Investors will take their cue from that."

Stet, the state telecommunications group was a strong performer, rising L104, or 4.1 per cent, to fix at L2,635, before slipping to L2,630 after hours.

FRANKFURT managed a slight improvement but most traders said activity remained unenthusiastic. The steel strikes in east Germany, which began yesterday, are also affecting investor interest. The DAX index was finally 1.97 ahead at 1,629.16, after a day's low of 1,617.40.

Among the actives, Siemens gained a net DM1.10 at DM617.10, after falling to DM611.30. Continental was up DM2.20 at DM194.50 ahead of reporting a group net profit of DM133m, against a DM128m loss in 1992. Elsewhere in the automotive sector, Volkswagen lost 70 pfg to DM323.00 as BMW and Daimler made respective gains of DM6 and DM2 to DM470 and DM577.50.

ZURICH was higher in active trade, led by chemical and pharmaceutical shares, and the SMI index rose 23.1 to 2,152.8.

Ciba-Geigy, SFr14 ahead at SFr604, was the most active stock. The sector is gaining ground on a growing view that US plans for health reform may be less damaging to the outlook for Swiss groups than originally thought. Roche certificates rose SFr80 to SFr4,370.

Bearers in Ems Chemie, a medium-sized chemicals group, rose SFr150, or 7.5 per cent, to SFr2,150 after the company said it planned to buy back up to 250,000 of its own bearer shares for SFr2,200 per share.

Among banks, UBS bearers added SFr7 at SFr941.

Ascom bearers came under renewed pressure, falling SFr70, or 5.6 per cent, to SFr1,180.

BRUSSELS remained weak in very thin trading. The Bel-20 index fell 8.0 to 1,189.52, registering the market's 12th fall in the last 13 sessions.

Petrofina, which breached a technical support at BFr8,500 on Friday, recovered most of its intra-day losses just before the market closed, ending BFr20 easier at BFr8,380, having dipped to a low of BFr8,220.

UCB, the chemicals, pharmaceuticals and packaging group, extended recent weakness, closing a net BFr350 down at BFr21,525, after an 18-month low of BFr21,300.

Delhaize, the retailer that was hit on Friday by union action and picketing at its stores, was one of the few blue chip stocks bucking the lower trend. It finished BFr6 firmer at BFr1,144.

AMSTERDAM, which was closed on Friday, was able to react to the news that Philips was to end its partnership with Matsushita in their semiconductor joint venture. Philips' shares gained Fl 1.00 at Fl 25.60, but after a day's high of Fl 26.10. The CBS Tendency index ended 0.4 easier at 107.2.

STOCKHOLM was active in banking issues, with S-E Banken up SKr5 in the "A" shares to SKr17, on expectations that the sector is set for recovery. The Affärsvärlden index rose 1.8 to 1,032.2 in turnover of SKr635m. Stora lost SKr11 to SKr299 ahead of tomorrow's first-quarter results. HELSINKI fell on profit-taking. The HEX index closed 13.6 down at 1,173.5 in turnover of FM79.2m.

ISTANBUL made a spirited early effort to maintain the upward momentum but a broad wave of profit-taking left shares slightly easier.

The market index ended 2.33 lower at 7,805.31, bringing two-session losses to 91.61 since Thursday's all-time high of 7,896.92, which was the 10th closing peak recorded during April. The index had surged 271 points, taking it above the 8,000 level, in the first half-hour before profit-takers stepped in.

Investors became cautious ahead of the expected formal nomination today of Mr Suleyman Demirel as president, intensifying speculation about who will take over as True Path Party chairman and prime minister if parliament elects him.

● The Eurotrack 100 index was unavailable owing to the closure of the London Stock Exchange.

ASIA PACIFIC

Manila at a record high as Australia retreats

WITH *Tokyo remaining closed* until Thursday for the Golden Week holiday, markets in the region moved in various directions yesterday on domestic issues. Bangkok was also shut for a holiday.

MANILA climbed to a new high in quiet trading, breaking last week's record as demand for equities outpaced supply. Some analysts noted that the market continues to benefit from the increasing liquidity brought about by the reduction of banks' reserve requirement last Friday to 23 per cent from 24 per cent.

The composite index closed 11.13 up at 1,615.46. It has risen 28 per cent since the start of the year. Gains led declines by 34 to 13, while 25 issues were unchanged. Volume fell to 584m shares valued at 218m pesos from Friday's 2.1bn shares worth 1.6bn pesos.

AUSTRALIA ended at its lowest level since April 7 as profit-taking took hold. The All Ordinaries index shed 17.0 to 1,664.5 in volume of 246m shares worth A$252.3m. The All Industrials index fell 23.6 to 2,592.0 and All Resources weakened 12.0 to 955.9.

Gold shares receded from recent highs and the sector's index dropped 23.9 to 1,432.1. Newcrest eased a cent to A$3.14, Poseidon Gold fell 13 cents to A$2.67 and Placer Pacific lost 4 cents to A$1.84.

Banking issues held up well on hopes of a further reduction in interest rates. National Australia firmed a cent to A$9.03, Westpac eased a cent to A$3.32, ANZ dipped 3 cents to A$3.40 and Commonwealth Bank shed 4 cents to A$8.14.

Elsewhere, BHP slipped 18 cents to A$14.26 and Brambles was down 22 cents at A$14.50.

HONG KONG finished easier, but well off the day's lows, helped by late bargain hunting. The Hang Seng index lost 40.40 at 6,790.11, having initially touched 6,727.64. Turnover shrank to HK$3.15bn from Friday's HK$4.56bn.

Blue chips, which bore the brunt of early profit-taking, recovered lost ground, with Cheung Kong unchanged at HK$26.10 after bouncing from a low of HK$25.60. Actively traded HSBC was down HK$1 at HK$70.50, but after HK$70.

Profit-taking was also outweighed by switching to market laggards, particularly second and third liners, including Seabase International, up 30 cents at HK$4.125, and Conic Investment, 62 cents stronger at HK$4.175.

BOMBAY fell back, sentiment affected by disappointing full year results from Reliance Industries. The BSE index slipped 19 to 2,081.

Although Reliance reported 1992 profits of Rp3.2bn ($103m) against Rp1.6bn last year, the market had been expecting a figure in excess of Rp3.5bn. The shares finished Rp5 cheaper at Rp177.50.

KARACHI gained ground as investors brushed aside news of political uncertainty and gave fresh buying orders. The KSE index put on 3.86 at 1,098.45 and rises led falls by 155 to 126. Volume improved to 2.1m shares from 1.9m.

JAKARTA closed slightly softer in moderate trade. The official index eased 0.32 to 313.69. Trafindo lost Rp300 to Rp2,800 after a number of brokers downgraded the stock.

TAIWAN saw some late buying that pulled the market up from early lows but turnover contracted to its lowest level since February. The weighted index was off 27.20 at 4,473.80, after earlier dropping more than 40 points. Turnover declined to T$21.28bn from Saturday's T$23.2bn.

The mood was soured by falls on Saturday and news that villagers protesting against pollution were blockading the Tashe Petrochemical Industrial Zone in southern Taiwan.

SEOUL ended a lethargic session a shade firmer in what brokers described as a technical improvement centred on blue chip manufacturing shares. The market index added 0.91 at 718.59.

Late institutional bargain hunting helped the market higher, although many remain cautious after recent steep rises.

SINGAPORE was higher, with last-hour demand for blue chips pushing the market up. The Straits Times Industrial index ended 7.27 ahead at 1,790.90 in volume that dipped to 247.54m shares.

KUALA LUMPUR declined on profit-taking after an early sharp advance as investors turned cautious. The composite index ended 2.24 down on balance at 717.37, mainly due to a 60-cent drop in Telekom Malaysia to M$15.60. The index initially set a new all-time peak of 724.16.

NEW ZEALAND continued to be affected by weakness in Carter Holt Harvey and Fletcher Challenge, the former losing 5 cents to NZ$3.02 and the latter 7 cents to NZ$2.74. The NZSE-40 index fell 17.39 to 1,594.35 in turnover of NZ$23m.

Colombo calm after assassination

THE stock market reacted calmly yesterday following the assassination on Saturday of President Ranasinghe Premadasa, *Reuter reports from Colombo.*

Economists and bankers said future foreign investment might be affected, but changes in economic policy were unlikely.

The Colombo All-Share index fell 6.09 to 535.76. National Development Bank, one of the most active stocks, finished Rp3.25 down at Rp89.25, but well above the day's low of Rp85.

Mr Iftikar Ahamed, treasurer at Deutsche Bank, said: "Foreign investors who are looking to come in will probably tend to shy away and adopt a more wait-and-see attitude, but for foreign investment already in the country, I do not see much going out."

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for trading on 02.05.93: Pool purchase price £/MWh	Final Prices for trading on 24.04.93: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.46	18.03	18.03
0100	[illegible]	18.03	18.03
0130	18.54	32.00	32.00
0200	35.00	[illegible]	[illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for trading on 03.05.93: Pool purchase price £/MWh	Final Prices for trading on 25.04.93: Pool purchase price £/MWh	Pool selling price £/MWh
0030	[illegible]	18.04	18.04
0100	18.07	18.09	18.09
0130	18.51	18.31	18.31
0200	28.09	24.41	27.84

COMPANY NOTICES

LEGAL NOTICES

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, April 30, 1993. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	63.2588	39.8194	56.8767
Albania	(Lek)	173.25	110.421	69.5085	99.2838
Algeria	(Dinar)	35.3530	22.5321	14.1837	20.2596
Andorra	(Fr Fr)	8.3975	5.3521	3.3691	4.8123
	(Sp Peseta)	182.30	116.189	73.1394	104.47
Angola	(New Kwanza)	6148.30	3918.61	2466.72	3523.38
Antigua	(E Car $)	4.2445	2.7052	1.7029	2.4323
Argentina	(Peso)	1.5725	1.0022	0.6308	0.9011
Aruba	(Florin)	2.8195	1.797	1.1311	1.6157
Australia	(Aus $)	2.2165	[illegible]	0.8892	1.2702
Austria	(Schilling)	17.495	11.1504	7.019	10.0257
Azores	(Port Escudo)	230.75	147.068	92.5777	132.235
Bahamas	(Bahama $)	1.5690	1	0.6294	0.8991
Bahrain	(Dinar)	0.5928	0.3778	0.2378	0.3397
Balearic Is	(Sp Peseta)	182.30	116.189	73.1394	[illegible]
Bangladesh	(Taka)	62.5050	39.8374	25.0772	35.8194
Barbados	(Barb $)	3.1390	2.0006	1.2593	1.7988
Belgium	(Belg Fr)	[illegible]	32.6841	20.5616	29.3896
Belize	(B $)	3.1280	1.9936	1.2549	1.7925
Benin	(CFA Fr)	419.875	267.607	168.455	240.616
Bermuda	(Bermudian $)	1.5690	1	0.6294	0.8991
Bhutan	(Ngultrum)	48.6305	30.9945	19.5107	27.8684
Bolivia	(Boliviano)	6.6070	4.2109	2.6507	3.7862
Botswana	(Pula)	3.6640	2.3352	1.47	2.0997
Brazil	(Cruzeiro)	50793.0	32372.8	20378.3	29107.7
Brunei	(Brunei $)	2.5440	1.6214	[illegible]	1.4578
Bulgaria	(Lev)	37.88	24.1427	15.1975	21.7077
Burkino Faso	(CFA Fr)	419.875	267.607	168.455	240.616
Burma	(Kyat)	9.4750	6.0388	3.8014	5.4297
Burundi	(Burundi Fr)	361.25	230.242	144.935	207.02
Cambodia	(Riel)	5512.50	3513.38	2211.63	3159.03
Cameroon	(CFA Fr)	419.875	267.607	168.455	240.616
Canada	(Canadian $)	1.9965	1.2724	0.801	1.1441
Canary Is	(Sp Peseta)	182.30	116.189	73.1394	104.47
Cp. Verde	(CV Escudo)	116.85	74.4741	46.8806	66.9627
Cayman Is	(CI $)	1.3390	0.8534	0.5372	0.7673
Cent.Afr. Rep	(CFA Fr)	419.875	267.607	168.455	240.616
Chad	(CFA Fr)	419.875	267.607	168.455	240.616
Egypt	(Egyptian £)	5.2120	3.3218	2.091	2.9868
El Salvador	(Colon)	13.7815	8.7836	5.5291	7.8977
Equat'l Guinea	(CFA Fr)	419.875	267.607	168.455	240.616
Estonia	(Kroon)	19.90	12.6832	7.9839	11.404
Ethiopia	(Ethiopian Birr)	7.7950	4.9681	3.1273	4.467
Falkland Is	(Falk £)	1.00	0.6373	[illegible]	0.573
Faroe Is	(Danish Kroner)	9.5825	6.1073	3.8445	5.4914
Fiji Is	(Fiji $)	2.3805	1.5172	0.955	1.3641
Finland	(Markka)	8.5625	5.4572	3.4353	4.9068
France	(Fr)	8.3975	5.3521	3.3691	4.8123
Fr. Cty/Africa	(CFA Fr)	419.875	267.607	168.455	240.616
Fr. Guiana	(Local Fr)	8.3975	[illegible]	3.3691	4.8123
Fr. Pacific Is	(CFP Fr)	153.00	97.5143	61.3841	87.679
Gabon	(CFA Fr)	419.875	267.607	168.455	240.616

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Mozambique	(Metical)	4354.80	2775.53	1747.16	2495.59
Namibia	(S A Rand)	4.9690	3.1669	1.9935	2.8475
Nauru Is	(Australian $)	2.2165	1.4126	0.8892	[illegible]
Nepal	(Nepalese Rupee)	73.00	46.5264	29.2878	41.8338
Netherlands	(Guilder)	2.8000	1.7845	1.1233	1.6045
N'nd Antilles	(A/Guilder)	2.8195	1.797	1.1311	[illegible]
New Zealand	(NZ $)	2.9005	1.8486	[illegible]	1.6621
Nicaragua	(Gold Cordoba)	9.5890	6.1116	[illegible]	5.4951
Niger Rep	(CFA Fr)	419.875	267.607	168.455	240.616
Nigeria	(Naira)	33.0750	21.0803	13.2698	18.9541
Norway	(Nor. Krone)	10.5425	[illegible]	4.2296	6.0415
Oman	(Rial Omani)	0.6059	0.3861	0.243	0.3472

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Vanuatu	(Vatu)	187.425	[illegible]	[illegible]	[illegible]
Vatican	(Lira)	[illegible]	1492.99	[illegible]	1342.41
Venezuela	(Bolivar)	135.40	86.297	54.3229	77.5931
Vietnam	(Dong)	16816.25	[illegible]	6666.5	9522.21
Virgin Is-British	(US $)	1.5690	1	0.6294	0.8991
Virgin Is-US	(US $)	1.5690	1	0.6294	0.8991
Western Samoa	(Tala)	4.0290	2.5678	1.6164	2.3088
Yemen (Rep of)	(Rial)	25.9875	16.563	10.4262	14.8925
Yemen (Rep of)	(Dinar)	0.7240	0.4614	0.2904	0.4148
Yugoslavia	(New Dinar)	96040.0	61211	38531.5	55037.2
Zaire Rep	(Zaire)	[illegible]	2992365	1884774	2693592
Zambia	(Kwacha)	803.25	511.96	322.267	460.316
Zimbabwe	($)	9.9225	6.324	3.9809	5.6862

Special Drawing Rights April 30, 1993 United Kingdom £0.904027 United States $1.42339 Germany D Mark 2.24024 Japan Yen158.210
European Currency Unit Rates April 30, 1993 United Kingdom £0.785987 United States $1.23790 Germany D Mark 1.95402 Japan Yen137.221

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (f) Financial rate; (h) Exports; (i) Non commercial rate; (l) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Public transaction rate; (n) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate; & CIS applies to states in the Rouble Zone.
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Friday, April 30, 1993

US COMMODITIES PRICES

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
May	354.4	358.5	355.0	355.0
Jun	356.3	357.2	360.1	355.2
Jul	356.0	357.9	0	0
Aug	356.7	358.6	361.5	356.8
Oct	358.1	360.1	362.6	358.4
Dec	359.6	361.7	364.1	359.5
Feb	361.0	363.3	366.1	362.8
Apr	362.5	364.8	368.5	366.5
Jun	364.1	366.2	368.0	366.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	386.6	389.9	394.0	386.0
Oct	[illegible]	388.9	392.5	385.5
Jan	385.0	388.1	391.0	389.0
Apr	384.7	387.6	391.5	390.5

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
May	429.0	438.9	445.0	430.0
Jun	430.2	440.2	442.5	435.0
Jul	431.7	441.7	448.0	431.5
Sep	434.5	444.5	[illegible]	433.5
Dec	438.6	448.7	455.0	438.0
Jan	[illegible]	[illegible]	0	0
Mar	443.0	453.2	[illegible]	443.0
May	445.7	456.0	[illegible]	449.0
Jul	449.2	459.5	459.0	452.5
Sep	452.6	462.9	[illegible]	467.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	82.65	[illegible]	83.70	82.50
Jun	83.05	84.15	83.05	83.05
Jul	83.40	84.50	84.55	83.30
Aug	83.75	84.85	0	0
Sep	84.10	85.20	85.10	84.10
Oct	84.40	85.50	0	0
Nov	84.75	85.85	0	0
Dec	85.10	86.20	86.05	85.10
Jan	85.35	86.45	0	0
Feb	85.60	86.70	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jun	20.57	[illegible]	20.59	20.44
Jul	20.74	20.70	20.76	20.62
Aug	20.84	20.80	20.84	20.75
Sep	20.88	20.84	20.88	20.77
Oct	20.89	20.85	20.89	20.81
Nov	20.87	20.88	20.87	20.83
Dec	20.86	20.85	20.86	20.79
Jan	20.83	20.82	20.83	20.83
Feb	20.80	20.80	20.80	20.72
Mar	20.77	20.77	20.75	20.75

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jun	56.18	55.84	56.30	55.60
Jul	56.65	56.44	56.70	56.10
Aug	57.20	57.04	57.30	56.80
Sep	58.20	58.04	58.20	57.86
Oct	59.20	58.99	59.20	59.20
Nov	60.15	59.89	60.15	59.75
Dec	61.05	60.74	[illegible]	60.60
Jan	61.40	61.19	61.40	61.40
Feb	61.30	60.94	61.30	61.30
Mar	59.85	59.64	59.85	59.85

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
May	900	907	905	898
Jul	936	936	946	927
Sep	961	964	971	956
Dec	1000	1000	1005	995
Mar	1035	1035	1030	1030
May	1061	1061	0	0
Jul	1078	1078	0	0
Sep	1103	1103	0	0
Dec	1133	1133	0	0
Mar	1168	1168	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
May	63.10	63.50	64.00	63.00
Jul	64.15	64.20	65.10	63.60
Sep	65.65	65.75	66.65	65.20
Dec	68.10	[illegible]	69.00	67.80
Mar	70.65	71.10	71.35	70.40
May	72.20	72.00	72.50	72.50
Jul	73.75	73.50	74.60	74.00
Sep	75.25	75.00	76.80	76.80

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	[illegible]	12.82	12.78	12.23
Oct	11.79	12.12	12.00	11.70
Mar	11.12	11.27	11.25	11.05
May	11.06	11.22	[illegible]	11.02
Jul	11.05	11.15	11.14	11.05

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
May	59.10	60.50	60.20	58.65
Jul	60.10	61.30	61.70	60.06
Oct	61.26	62.45	62.85	61.26
Dec	60.65	61.78	62.15	60.62
Mar	61.78	62.98	63.20	61.80
May	62.40	63.58	0	0
Jul	62.90	64.05	0	0
Oct	62.90	63.35	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	86.25	86.40	86.70	84.75
Jul	89.40	89.65	89.90	87.50
Sep	92.50	92.55	93.25	90.70
Nov	95.25	94.65	95.90	[illegible]
Jan	98.25	97.45	98.25	95.90
Mar	99.90	[illegible]	99.00	98.50
May	100.00	99.65	0	0
Jul	100.00	99.65	0	0
Sep	100.00	99.65	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)

Apr.30	Apr.29	mnth ago	yr ago
1671.9	1662.6	1709.7	1596.5

DOW JONES (Base: Dec. 31 1974 = 100)

	Apr.30	Apr.29	mnth ago	yr ago
Spot	120.99	120.92	-	115.87
Futures	125.28	124.78	-	115.87

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
May	591/6	588/6	592/4	586/6
Jul	594/0	591/2	594/4	588/0
Aug	594/2	592/0	594/4	588/4
Sep	593/6	592/4	594/4	588/2
Nov	596/2	595/2	598/4	589/6
Jan	603/4	602/0	604/0	597/2
Mar	610/0	608/0	610/4	604/0
May	612/4	613/0	612/4	606/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
May	20.92	20.82	20.96	20.77
Jul	21.15	21.04	21.19	21.00
Aug	21.26	21.15	21.32	21.12
Sep	21.37	21.26	21.37	21.26
Oct	21.47	21.40	21.52	21.37
Dec	21.71	21.63	21.73	21.58
Jan	[illegible]	[illegible]	21.79	[illegible]
Mar	21.96	[illegible]	21.96	21.83

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
May	186.8	185.8	187.2	185.0
Jul	187.7	186.7	188.2	185.8
Aug	188.1	187.3	188.6	186.4
Sep	[illegible]	[illegible]	189.0	187.0
Oct	189.7	188.2	189.1	188.9
Dec	189.7	189.2	190.5	188.0
Jan	190.0	189.6	190.0	[illegible]
Mar	190.6	189.8	191.5	189.2

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
May	228/6	228/0	230/0	227/0
Jul	233/2	232/4	234/6	231/2
Sep	237/2	236/4	238/6	235/4
Dec	241/6	241/2	243/2	239/6
Mar	248/2	247/4	249/6	246/4
May	252/4	252/4	253/0	251/0
Jul	256/0	255/6	257/0	254/4
Dec	251/0	250/6	252/0	250/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
May	347/4	348/0	349/6	347/0
Jul	296/6	301/2	301/0	296/0
Sep	300/0	303/6	303/6	299/0
Dec	310/4	314/0	314/0	309/6
May	315/0	319/0	319/0	315/0
Jul	313/4	313/2	314/0	313/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	77.225	76.775	77.325	76.950
Aug	73.925	73.675	74.125	73.825
Oct	74.400	74.425	74.650	74.300
Dec	74.700	74.775	74.950	74.600
Feb	74.075	74.200	74.500	74.050
Apr	75.075	75.300	75.500	75.000
Jun	72.400	72.475	72.675	72.300

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	52.600	51.350	52.850	51.300
Jul	51.025	50.250	51.075	50.050
Aug	48.575	48.100	48.700	47.850
Oct	43.075	42.525	43.100	42.400
Dec	44.050	43.650	44.050	43.625
Feb	44.000	43.800	44.000	43.650
Apr	42.700	42.450	42.700	42.500
Jun	47.800	47.725	47.800	47.700

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
May	44.100	42.425	44.150	42.100
Jul	44.875	43.400	44.850	43.150
Aug	42.675	41.400	42.950	41.050
Feb	41.625	40.650	42.150	40.550
Mar	41.000	40.425	41.000	40.700
May	41.500	41.500	0	0

UK commodity markets were closed yesterday.

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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Sovereign Unit Tst Mngrs Ltd (1000)F
12 Christchurch Rd, Bournemouth 0202 299422

	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Gilt	1	50.65	50.65	51.15	6.1	[illegible]
Capital Preference	5¼	56.49	55.79	59.50	7.9	[illegible]
Ethical	5¼	51.79	52.74	56.10	1.9	[illegible]
European Growth	5¼	55.47	55.82	59.54	3.1	[illegible]
Income	5¼	52.07	52.58	56.08	5.8	[illegible]
Int Growth	5¼	77.57	78.08	83.28	2.9	[illegible]
Managed	5¼	68.32	69.05	73.65	2.8	[illegible]
UK Growth	5¼	55.04	55.65	59.35	4.7	[illegible]

Standard Life Tst Mgmt Ltd (0730)H
3 George St, Edinburgh EH2 2XZ 0800 393777

	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Managed Acc	5¼	42.21	42.21	44.85	1.88	[illegible]
UK Equity Gth Acc	5¼	50.10	50.12	50.49	1.61	[illegible]
UK Eq High Inc Inc	3¼	34.13	34.19	39.33	3.89	[illegible]
UK Eq High Inc Acc	5¼	40.60	40.60	43.14	3.89	[illegible]
UK Equity Gen Acc	5¼	52.40	53.36	56.70	2.44	[illegible]
UK Equity Gen Inc	5¼	39.63	40.36	42.89	2.44	[illegible]
UK Larger Cos Acc	7½	358.7	370.5	394.5	2.86	[illegible]
UK Larger Cos Inc	7½	275.5	279.3	303.0	2.86	[illegible]
Gilt & Fxd Int Inc	5¼	29.38	29.43	31.13	6.79	[illegible]
O'seas Larg Cos Acc	7½	257.1	261.5	283.6	1.54	[illegible]
Nth American Acc	5¼	39.04	40.09	42.60	0.85	[illegible]
Far East Acc	5¼	52.82	52.82	56.13	0.39	[illegible]
European Acc	5¼	33.57	39.57	42.05	1.20	[illegible]

State Street Unit Trust Mngmt Ltd (1200)F

Stewart Ivory Unit Tst Mgrs Ltd (1200)H

Sun Alliance Unit Tst Mngmt Ltd (1200)F

Sun Life of Canada Unit Mgrs Ltd (1000)H

Sun Life Trust Mngmt Ltd (1200)H

TSB Unit Trusts (1200)F

Templeton Unit Trust Managers Ltd (1200)F

Thornton Unit Managers Ltd (1200)H

Waverley Unit Tst Mngmt Ltd (1000)F

Woolwich Unit Trust Managers Ltd (1700)H

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Baillie Gifford & Co Ltd

Baring Investment Management Ltd

James Capel Fund Managers Ltd

Cent. Bd. of Fin. of Church of England

Charities Official Inv Fd

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Fidelity Investment Services Ltd

Foreign & Colonial Unit Management Ltd

Funds in Court*

Govett (John) Unit Mngmt Ltd

Henderson Unit Trust Management Ltd

INVESCO MIM Management Ltd

Lazard Brothers & Co. Ltd

Lazard Investors Ltd

Local Authorities Mutual Invest. Tst.*

M & G Securities Ltd

Merlin Jupiter Unit Trust Managers Ltd

Morgan Grenfell Investment Funds Ltd

Morgan Stanley International

Murray Johnstone UT Mngmt

Phillips & Drew Fund Management Ltd

Rothschild Asset Management

J. Rothschild Fund Managers Ltd

Societe Generale Touche Remnant UT Mngt

Stewart Ivory & Co Ltd

Thornton Unit Managers Ltd

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Britannia Life Ltd

Canada Life Group

City of Westminster Assurance (z)

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Commercial Union Group

Confederation Life Insurance Co

Crown Financial Management Ltd

Eagle Star Life Assurance Co Ltd

Equitable Life Assurance Society

Family Assurance Society

Friends Provident

General Accident

General Portfolio Life Ins Plc

Guardian Royal Exchange

Hearts of Oak Insurance Group

Irish Life Assurance Co Plc

Lancashire & Yorkshire Assce Society

Laurentian Life plc

Legal & General

Liberty Life Assurance Co Ltd

Life Association of Scotland

Lloyds Life Assurance Ltd

London Life

London & Manchester Assurance

MGM Assurance (z)

Manchester Unity Assurance

Merchant Investors Assurance Co Ltd

Midland Life Limited

NM Life Assurance Ltd

National Mutual Life

National Westminster Life Assce Ltd

Norwich Union Life Insurance Soc.

Norwich Union Life Insurance Soc. - Contd.

Norwich Union Pensions Management Ltd

Pearl Assurance (Unit Funds) Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Life Assurance Co Ltd

Providence Capital Life Assur. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial (0891 or 0336) 430000, enter 4 and key in the five digit code listed below. Calls are charged at 36p/minute cheap rate and 48p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (071) 873 4378.

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 071-405 9222

Prudential Corporate Pension Funds
1 Stephen St, London W1P 2AP 071-548 3261

Scottish Amicable - Contd.

Scottish Equitable Life Assce. Soc.
28 St Andrew Sq, Edinburgh

Sun Alliance Group - Contd.

CMI Insurance Co Ltd

Target International Group
1 rue Emile Bian, Luxembourg

MANAGEMENT SERVICES

Capital Trust Financial Management

Guinness Flight Fd Mngrs - Contd.

Nikko Capital Mngt (Europe) Ltd

Quilter International Management Ltd

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs
Victory Hse, Prospect Hill, Douglas IoM 0624 677877

Allied Dunbar Intl Fund Mgrs (1600)F
Lord Street, Douglas, IoM 0624 681551

IRELAND (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (REGULATED)(**)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial (0891 or 0336) 430000, enter 4 and key in the five digit code listed below. Calls are charged at 36p/minute cheap rate and 48p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (071) 873 4378.

JERSEY (REGULATED)(**)

	Bid Price	Offer Price	Yield Gross	City-Line
Barclays Intl Funds				
Asian Selection Funds				
[illegible]	$9.606	10.112	0.6	-
Hong Kong	$28.729	30.241	0.4	44544
[illegible]	$9.298	9.787	0.0	44686
[illegible]	$11.632	11.678	0.0	44637
Malaysia	$17.829	18.768	0.0	44696
Philippines	$12.091	13.000	0.0	44699
Singapore	$12.312	12.961	0.0	44700
Thailand	$19.821	20.875	0.0	44717
Southeast Asia	$24.029	25.368	0.0	44716
US Dollar Liquidity	$9.551	10.029	0.5	44875
Cater Allen Investment Management (CI)				
CA Gilt Income	£5.11	5.38	15.67	44830
CA Equity Gwth	£4.48	4.90	2.24	44832
Citibank (CI) Ltd "Citifunds"				
Short Term Investment Funds				
[illegible] Apr 29	132.6706		-	44841
Equity Funds				
Japan Equity Apr 29	99.7900		-	44845
[illegible] May 4	$19.7978		-	44849
[illegible] May 4	$22.5612		-	44851
[illegible] May 4	$30.4009		-	44852
Bond Funds				
[illegible]	$93700.470		-	44856
[illegible] Apr 1	FFr11275.475		-	-
Citibank N.A.				
[illegible] Feb 28	$591.07		-	-
[illegible] Feb 28	$99.63		-	-
Coutts & Co (Jersey) Fund Managers Ltd				
Coutts Money Market Fund Ltd				
[illegible]	$30.4739		-	[illegible]
[illegible]	$27.5149		-	[illegible]
[illegible]	DM80.0168		-	[illegible]
Japanese Yen Class	Y8036.4667		-	[illegible]

CMI Asset Management (Luxembourg) SA
203 route d'Arlon, L-1150 Lux 010 352 458225

	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
CMI Managed Portfolio Investment Company (u)						
Safeguard Portfolio F	£-		1.205	1.283	-	[illegible]
Growth Portfolio F	£-		1.080	1.150	-	[illegible]
Enterprise Portfolio F	£-		1.038	1.105	-	[illegible]
CMI Global Network Fund (u)						
Australasian Equity	A$-		12.948		-	[illegible]
Benelux Equity	DFl-		27.804		-	[illegible]
Canadian Equity	C$-		10.041		-	[illegible]
SE Asia Equity	$-		12.907		0.06	[illegible]
French Equity	FFr-		59.272		0.34	[illegible]
German Equity	DM-		17.910		-	[illegible]
Iberian Equity	Pta-		720		0.01	[illegible]
Irish Equity	I£-		4.374		-	-
Italian Equity	L-		7764		-	[illegible]
Japanese Equity	Y-		1377		-	[illegible]
Nordic Equity	SKr-		42.748		-	[illegible]
Swiss Equity	SFr-		19.539		-	[illegible]
UK Equity	£-		6.518		1.11	[illegible]
US Equity	$-		13.623		0.85	[illegible]
Japan Index Tracking	Y-		934		-	[illegible]
UK Eqty Index Tracking	£-		6.134		2.23	[illegible]
US Eqty Index Tracking	$-		12.291		1.16	[illegible]
German Bond	DM-		22.834		6.21	[illegible]
Japanese Bond	Y-		1849		4.20	[illegible]
Swiss Bond	SFr-		22.317		4.37	[illegible]
UK Bond	£-		8.263		8.10	[illegible]
US Bond	$-		11.911		6.24	[illegible]
Stg Currency Reserve	£-		5.032		7.16	[illegible]
US Dlr Currency Reserve	$-		10.031		2.08	[illegible]

Commercial Union Luxembourg SA (u)
41 Ave de la Gare L-1611 010 352 40282061

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

	Bid Price	Offer Price	Yield Gross	City-Line
Philippine Income Fund Inc				
NAV Apr 21	$10.79		-	-
Pierson Heldring & Pierson				
Tokyo Pac Hldgs NV	$227.29		-	45598
Leveraged Cap Hldgs NV	$55.84		-	45599
Asia Pac Gth Fd NV	$31.96		-	45600
Asian Selection	Dfl72.10		-	43761
DP Am Gth Fd NV	$35.02		-	45601
Europe Gth Fd NV	Dfl48.87		-	45602
Japan Diversified Fd	$48.32		-	[illegible]

[illegible]

	Bid Price	Offer Price	Yield Gross	City-Line
NAV Feb 28	$81.00		-	-
Xiphias International Investment Fd Ltd				
Xiphias Intl US$ Acc	$1.2108		-	46024
Xiphias Intl ECU Acc	Ecu1.2098		-	46023
Xiphias Intl ECU Dis	Ecu1.0680		-	-
Yamaichi Capital Mngmt (Guernsey) Ltd				
Thai Inv Fund	$12.87		-	46493

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. u Designated in Luxembourg as a UCITS (Undertakings for Collective Investment in Transferable Securities). Y Offered price includes all expenses except agent's commission. z Previous day's price. ¶ Guernsey gross. § Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡ Only available to charitable bodies. [illegible] Yield column shows annualised rates of NAV increase. [illegible] dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey Financial Services Commission; Ireland: Central Bank of Ireland; Isle of Man: Financial Supervision Commission; Jersey: Financial Services Department; Luxembourg: Institut Monétaire Luxembourgeois.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGE AND MONEY MARKETS

US payroll week

THE main focus for the foreign exchange market this week will be the US non-farm payroll figure for April due out on Friday, *writes James Blitz.*

Traditionally, the payroll figure is the most important US indicator affecting the dollar, and this week it takes on particular significance.

Recent US data have shown that the strong upturn in the US economy seen in the fourth quarter of last year did not follow through to the first quarter of 1993.

UK clearing bank base lending rate
6 per cent
from January 26, 1993

Last Friday's data underlined that the US economic upturn is proving to be sluggish. US personal consumption, for example, showed a decline of 0.2 per cent in March against expectations of a 0.1 per cent drop.

After last month's net fall of 22,000 in the headline payroll figure, analysts appear to be looking for a rise of 175,000 in the April number.

However, Mr Neil MacKinnon, chief currency strategist at Citibank in London, believes the figure will only show an increase of around 70,000.

He thinks that the drop in personal consumption and the difficulty that President Bill Clinton has had getting his budget stimulus package through congress require a downward revision in growth forecasts for this year.

The poor news on the economy is particularly disappointing for dollar investors because it comes amid new indications that the Bundesbank wants to cut interest rates further, narrowing the differential between short-term German and US rates.

There is little expectation of another cut in official German interest rates at this week's Bundesbank council meeting. But Friday's cut in Germany's 3-day Treasury Bill rate has raised new speculation that the discount rate floor will be cut later this month.

£ IN NEW YORK

May 3	Latest	Previous Close
£ Spot	1.5815-1.5825	1.5730 1.5740
1 month	0.43-0.41pm	0.39 0.39pm
3 months	1.16-1.14pm	1.17 1.15pm
12 months	4.30-4.20pm	4.23 4.15pm

Forward premiums and discounts apply to the US dollar

OTHER CURRENCIES

Apr 30	£	$
Argentina	1.5710 - 1.5740	0.9980 - 1.0000
Australia	2.2155 - 2.2175	1.4145 - 1.4155
Brazil	50792.0 - 50794.0	32269.5 - 32270.5
Finland	8.5480 - 8.5780	5.4370 - 5.4570
Greece	332.720 - 339.370	212.280 - 215.500
Hong Kong	12.1610 - 12.1730	7.7300 - 7.7310
Iran	2588.00 - 2590.00	1642.00 - 1644.00
Korea(Sth)	1238.80 - 1258.80	792.80 - 799.00
Kuwait	0.47000 - 0.47100	0.30000 - 0.30100
Luxembourg	51.20 - 51.30	32.60 - 32.70
Malaysia	4.0380 - 4.0480	2.5570 - 2.5580
Mexico	4.9045 - 4.9075	3.1160 - 3.1180
N.Zealand	2.8985 - 2.9025	1.8415 - 1.8440
Saudi Ar	5.8975 - 5.9085	3.7496 - 3.7586
Singapore	2.5410 - 2.5470	1.6145 - 1.6185
S.Af (Cm)	4.9635 - 4.9745	3.1580 - 3.1580
S.Af (Fn)	7.1855 - 7.2015	4.5850 - 4.5750
Taiwan	40.75 - 40.90	25.90 - 26.00
U.A.E.	5.7745 - 5.7875	3.6715 - 3.6735

STERLING INDEX

[illegible]

CURRENCY RATES

May 3	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	-	0.904927	0.784947
US Dollar	3.00	1.42539	1.23158
Canadian $	5.37	1.86771	1.58411
Austrian Sch	8.75	15.8167	13.7605
Belgian Franc	8.75	46.2615	40.2173
Danish Krone	9.25	8.65645	7.51618
D-Mark	7.25	2.24924	1.95575
Dutch Guilder	6.75	N/A	2.19714
[illegible]			

CURRENCY MOVEMENTS

[illegible]

CHICAGO

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

POUND SPOT - FORWARD AGAINST THE POUND

Apr 30	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5670 - 1.5755	1.5685 - 1.5695	0.42-0.40cpm	3.14	1.17-1.14pm	2.94
Canada	1.9935 - 2.0035	1.9960 - 1.9970	0.24-0.14cpm	1.14	0.40-0.25pm	0.65
Netherlands	2.7800 - 2.8100	2.7950 - 2.8050	1/4-1/2cdis	-1.61	3/4-1 1/4dis	-1.43
Belgium	50.95 - 51.35	51.20 - 51.30	5-8cdis	-1.52	16-23dis	[illegible]
Denmark	9.5350 - 9.5900	9.5775 - 9.5875	3 1/4-5oredis	-5.17	8 1/4-11dis	-4.12
Ireland	1.0175 - 1.0235	1.0215 - 1.0225	0.18-0.23cdis	-2.41	0.53-0.59dis	-2.19
Germany	2.4775 - 2.4950	2.4900 - 2.4950	3/8-1/2pfdis	-2.11	1-1 1/8dis	-1.71
Portugal	229.75 - 231.50	230.25 - 231.25	239-254cdis	-12.82	628-680dis	-11.34
Spain	181.25 - 182.70	182.15 - 182.45	155-168cdis	-10.63	388-408dis	-8.73
Italy	2321.50 - 2368.00	2342.00 - 2343.00	9-11liredis	-5.12	28-33dis	-5.21
Norway	10.4950 - 10.5500	10.5375 - 10.5475	7/8-2 1/8oredis	-1.85	3 1/2-4 7/8dis	[illegible]
France	8.3575 - 8.4075	8.3925 - 8.4025	1 3/8-1 3/4cdis	-2.23	3 3/4-4 1/4dis	-1.94
Sweden	11.4275 - 11.5050	11.4875 - 11.4975	2 1/2-3 3/4oredis	-3.26	7 3/4-9dis	-2.91
Japan	174.00 - 175.00	174.00 - 175.00	1/2-3/8ypm	3.01	1 3/8-1 1/4pm	3.01
Austria	17.40 - 17.55	17.48 - 17.51	1 1/2-2 1/4grodis	-1.48	4 7/8-6 7/8dis	[illegible]
Switzerland	2.2325 - 2.2550	2.2450 - 2.2550	1/4-parcpm	0.67	3/8-1/8pm	0.89
Ecu	1.2705 - 1.2770	1.2755 - 1.2765	0.24-0.29cdis	-2.49	0.71-0.78dis	[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar 2.27-2.22pm . 12 Month 4.30-4.20pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Apr 30	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5670 - 1.5755	[illegible]	0.42-0.40cpm	3.14	1.17-1.14pm	2.94
Ireland†	1.5310 - 1.5440	1.5320 - 1.5330	0.74-0.70cpm	5.64	2.05-2.00pm	5.29
Canada	1.2700 - 1.2740	1.2700 - 1.2710	0.19-0.23cdis	-1.98	0.61-0.66dis	-2.03
Netherlands	1.7715 - 1.7855	1.7845 - 1.7855	0.66-0.71cdis	-4.61	1.86-1.94dis	-4.26
Belgium	32.45 - 32.75	32.60 - 32.70	12.00-13.00cdis	-4.59	35.00-38.00dis	-4.47
Denmark	6.0700 - 6.1125	6.1050 - 6.1100	3.70-4.20oredis	-7.76	10.10-10.85dis	-6.86
Germany	[illegible] - 1.5900	1.5875 - 1.5885	0.64-0.65pfdis	-4.87	1.81-1.83dis	-4.58
Portugal	146.00 - 147.10	146.95 - 147.05	198-206cdis	-16.49	520-545dis	-14.49
Spain	115.35 - 116.35	116.20 - 116.30	130-136cdis	-13.73	335-345dis	-11.70
Italy	1473.75 - 1510.00	[illegible]	[illegible]	[illegible]	29.00-32.00dis	-8.17
Norway	6.6650 - 6.7275	6.7175 - 6.7225	2.40-2.70oredis	-4.55	7.15-7.75dis	-4.43
France	5.3100 - 5.3575	5.3500 - 5.3550	2.30-2.45cdis	-5.32	6.45-6.85dis	-4.92
Sweden	7.2800 - 7.3300	[illegible]	[illegible]	[illegible]	10.40-10.90dis	-5.82
Japan	110.50 - 111.35	111.20 - 111.30	par-0.01ydis	-0.05	par-0.01dis	-0.02
Austria	[illegible] - 11.1325	11.1125 - 11.1175	4.00-4.25grodis	-4.45	11.00-11.50dis	-4.10
Switzerland	[illegible] - 1.4350	1.4335 - 1.4345	0.25-0.30cdis	-2.30	0.70-0.76dis	-2.04
Ecu†	1.2260 - 1.2385	1.2285 - 1.2295	0.59-0.57cpm	5.66	1.64-1.61pm	5.29

Commercial rates taken towards the end of London trading. † UK, Ireland and Ecu are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EXCHANGE CROSS RATES

Apr.30	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.589	2.492	174.5	8.397	2.250	2.800	2342	1.996	51.25	183.3	1.276
$	0.637	1	1.588	111.2	5.352	1.434	1.785	1493	1.272	32.66	116.8	0.813
DM	0.401	0.630	1	70.02	3.370	0.903	1.124	939.8	0.801	20.57	73.56	0.512
YEN	5.731	8.991	14.28	1000.	48.12	12.89	16.05	13421	11.44	293.7	1050	7.312
F Fr.	1.191	1.869	2.968	207.8	10.	2.680	3.335	2789	2.377	61.03	218.3	1.520
S Fr.	[illegible]	0.697	1.108	77.56	3.732	1	1.244	1041	0.887	22.78	[illegible]	[illegible]
H Fl.	0.357	0.560	0.890	62.32	2.999	0.804	1	836.4	0.713	18.30	65.46	0.456
Lira	0.427	0.670	1.064	74.51	3.585	0.961	1.196	1000.	0.852	21.88	78.27	0.545
C $	0.501	0.786	1.248	87.42	4.207	1.127	1.403	1173	1	25.68	91.83	0.639
B Fr.	1.951	3.061	4.862	340.5	16.38	4.390	5.463	4570	3.895	100.	357.7	2.490
Pta	0.546	0.856	1.360	95.20	4.581	1.227	1.528	1278	1.089	27.96	100.	0.696
Ecu	0.784	1.230	1.953	136.8	6.581	1.763	2.194	1835	1.564	40.16	143.7	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

EURO-CURRENCY INTEREST RATES

[illegible]

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

LONDON RECENT ISSUES

[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

WEEKLY CHANGE IN WORLD INTEREST RATES

[illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	NatWestminster	6
Allied Trust Bank	6	Duncan Lawrie	6	Nykredit Mortgage Bnk	6.5
AIB Bank	6	Equatorial Bank plc	6	●Rea Brothers	6
●Henry Ansbacher	6	Exeter Bank Limited	7	Roxburghe Bank Ltd	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Royal Bk of Scotland	6
Bank of Baroda	6	●Robert Fleming & Co	6	●Smith & Williamson Secs.	6
Banco Bilbao Vizcaya	6	Girobank	6	Standard Chartered	6
Bank of Cyprus	6	●Guinness Mahon	6	TSB	6
Bank of Ireland	6	Habib Bank AG Zurich	6	Unibank plc	6
Bank of India	6	●Hambros Bank	6	●United Bk of Kuwait	6
Bank of Scotland	6	Heritable & Gen Inv Bk.	6	Unity Trust Bank Plc	6
Barclays Bank	6	●Hill Samuel	6	Western Trust	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Whiteaway Laidlaw	6
●Brown Shipley	6	Hongkong & Shanghai.	6	Wimbledon & Sth West	7
CL Bank Nederland	6	Julian Hodge Bank	6	Yorkshire Bank	6
Citibank NA	6	●Leopold Joseph & Sons	6		
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk.	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6	Mount Banking	6		

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

STOCK INDICES

	Apr 30	Apr 29	Apr 28	Apr 27	Apr 26	Apr 23	1993 High	1993 Low	Since Compilation High	Since Compilation Low
FT-SE 100	2813.1	2788.5	2797.3	2832.7	2822.3	2843.8	2957.3	2737.6	2957.3	986.9
FT-SE Mid 250	3132.1	3110.4	3121.7	3134.3	3133.8	3136.2	3154.7	2876.3	3154.7	1379.4
FT-SE-A 350	1402.6	1390.3	1395.5	1410.4	1408.4	1414.9	1457.1	1348.7	1457.1	664.5
FT-A All-Share	1383.86	1377.21	1382.18	1395.92	1392.17	1399.64	1438.22	1066.13	1438.22	61.92
FT-SE Eurotrack 100	1144.38	1143.23	1154.98	1149.08	[illegible]	[illegible]	1167.52	1063.02	1200.27	900.45
FT-SE Eurotrack 200	1206.79	1199.62	1212.69	1213.85	1218.66	1223.69	[illegible]	1144.79	1248.79	938.62
FT Ordinary	2221.3	2200.2	2208.3	2231.5	[illegible]	2240.4	2299.5	2124.7	2299.5	49.4
FT Government Secs.	94.70	94.59	95.42	95.77	[illegible]	95.72	96.04	93.28	127.40	49.18
FT Fixed Interest	110.74	110.95	111.77	111.75	111.70	111.62	[illegible]	[illegible]	113.83	50.53
FT Gold Mines	146.9	153.3	141.2	140.1	137.0	121.4	153.3	80.0	734.7	43.5

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price	W'k % Ech'nge	Amnt £m	Interest due	Last xd	City line
"Shorts" (Lives up to Five Years)							
Treas 12 1/2pc 1993‡‡		101	-.2	1,100	Ja14 Jy14	8.1	1298
Funding 6pc 1993‡‡		100	-.1	[illegible]	[illegible]	8.2	1276
Treas 13 3/4pc 1993‡‡		104xd	-.2	1,085	My23 Nv23	16.4	1304
8 1/2pc 1994		101		2,100	Ao3 Fe3	[illegible]	
14 1/2pc 1994‡‡		106	-.2	950	Se1 Mr1	25.1	1307
Exch 13 1/2pc 1994		107	-.1	1,190	Oc27 Ap27	22.3	1267
Treas 10pc Ln. 1994‡‡		104		1,300	De8 Je8	3.11	1284
[illegible]							

BRITISH FUNDS - Cont.

	Notes	Price	W'k % Ech'nge	Amnt £m	Interest due	Last xd	City line
10pc 2003		111 1/2	-1.2	2,803	Mr8 Se8	1.2	1281
Treas 11 1/2pc 2001-4		118	-1.0	1,820	Se19 Mr19	10.2	1290
Funding 3 1/2pc '99-4		[illegible]	-1.5	493	Ja14 Jy14	8.1	1274
Conversion 9 1/2pc 2004		108	-1.2	3,412	Ap25 Oc25	19.3	1246
9 1/2pc 2005		108	-1.2	4,842	Oc18 Ap18	12.3	1247
Treas 12 1/2pc 2003-5		126xd	-1.1	2,200	My21 Nv21	14.4	1295
8pc 2002-6‡‡		97	-1.5	2,000	Ao5 Oc5	1.3	1334
[illegible]							

BRITISH FUNDS - Cont.

[illegible]

Continued on next page

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

[illegible]

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	Wk% ch'nge	Div gross	Dividends paid	Last xd	City line
Abbott Labs		17½xd	3.8	68c	FeMyAuNv	13.4	1593
Allegheny & W	♥	493p	-1.6	30c	-	-	-
Amdahl		318p	-14.5	10c	NvFeJcAu	31.1	-
Amer Cyanamid		33	1.5	$1.65	MrJeSeDe	4.3	-
Amer Express		18⅝xd	0.7	$1.00	FeMyAuNv	30.3	1594
Amer T & T		35¾xd	-2.4	$1.32	FeMyAuNv	28.12	1597
Ameritech		47¼	-2.6	$3.68	FeMyAuNv	28.3	-
BankAmerica		28¼xd	-6.2	$1.40	MrJeSeDe	18.2	1744
Bankers NY		44⅛xd	-3.4	$3.12	ApJyOcJa	24.12	1745
Bell Atlantic		32¾	-2.2	$2.68	FeMyAuNv	4.7	-
BellSouth		33¾	-1.5	$2.76	FeMyAuNv	6.4	-
Bethlehem Steel	♥	11⅝xd	-2.1	-	MrJeSeDe	8.2	1821
Bowater		1387pxd	-5.0	80c	OcJaApJy	9.3	1894
CPC		28⅝xd	0.9	$1.28	JaApJyOc	28.3	2263
Cadiz Land Inc	♥	63½p	4.1	-	†	-	-
California Engy		1342p	-3.7	-	-	-	-
Chase Manhattan		19⅝xd	-7.4	$1.20	FeMyAuNv	27.4	2109
Chrysler		25⅝xd	4.0	60c	ApJyOcJa	10.3	2135
Citicorp		17⅝xd	-2.1	-	-	23.10	2141
Colgate-Palm		37½xd	-2.9	$1.24	FeMyAuNv	22.7	2184
Cont'l Bank		1502p	-3.1	60c	DeMrJeSe	31.8	-
Dana		30⅞xd	-2.0	$1.60	MrJeSeDe	24.2	2306
Data General		612p	3.2	-	-	-	-
Decora Inds	♥	125p	-	-	†	-	-
Dun & Brad		37½	-5	$2.44	MrJeSeDe	13.2	-
Eaton		67⅝	1.8	$2.20	FeMyAuNv	2.2	2410
Echlin		15⅞xd	-1.2	70c	JaApJyOc	5.4	3046
FPL		23⅞xd	-4	$2.44	MrJeSeDe	25.8	-
Ford Motor		34⅞xd	4.5	$1.60	MrJeSeDe	27.4	2615
Gen Elect		58⅝xd	-1.4	$2.52	JaApJyOc	4.3	2675
General Host	♥	688p	1.9	34c	†	13.12	-
Gillette		32⅞xd	2.9	84c	MrJeSeDe	28.4	2685
Hasbro		20⅞	-	24c	FeApJyNv	1.8	-
Honeywell		22¼xd	2.6	89c	MrJeSeDe	23.2	2919
Houston Inds		29⅝	-1.3	$3.00	MrJeSeDe	10.11	-

BUILDING MATERIALS - Cont.

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd
Travis Perkins		216	4.9	8.0	ф	Nov Jul	5.10
Tudor		28xd	-	0.25	-	Jul	19.4
Unigroup		31	-10.1	-	-	-	8.86
Waterhouse		28	-6.7	-	-	Apr	9.7
Wickes		115	9.5	-	-	-	8'90
Wolseley		803	1.3	12.55	2.1	Apr Jan	29.3

BUSINESS SERVICES

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd
ADT $		563	3.7	-	-	-	-
Adam & Harvey		213	-	11.0	4.6	Jan Sep	16.11
Air London		67	-9.5	3.5	2.3	Dec Jun	19.10
African Lakes		44xd	-	2.0	-	Jan	19.4
Autoted Sec		168xd	3.1	9.3	ф	Jan Dec	19.4
BET		104	8.3	6.5	1.1	Feb Aug	30.11
BNB Res		76	-1.3	4.9	ф	Nov May	29.3
BPP		288	1.1	8.0	2.3	Nov May	23.3
Barbour Index		250	-	7.25	2.0	Oct Apr	18.1
Black & Edg		1¼	-	-	-	-	11'89
Boustead		18	-	0.7	ф	Jan Jul	16.11
Bridgend		15½	6.9	1.2	1.7	Jan Jun	2.11
Brit Data Mangt		220	-2.2	4.0	2.2	Nov Apr	15.3
Brooks Service		88	11.5	-	-	-	4'91
CRT		90	-	2.4	3.6	Oct Jun	15.3
Capita		169	1.8	2.1	3.0	Oct May	15.3
Caskel		37	-3.9	0.5	5.0	Oct Mar	18.1
Chiltern Capital AS		50	-1.0	-	-	-	-
Christie Group		46	-8.0	-	-	-	8'90
Chubb Security		273	-1.8	2.8	2.9	Feb Aug	14.12
Comac		39	30.0	1.0	ф	Jul	4'88
Corp Servs		17¼	7.8	-	-	-	-

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- Figures or report awaited
- Not officially UK listed; dealings permitted under rule 535(4)(a)
- Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT. z Dividend includes a special payment: Cover does not apply to special payment. E Auction basis. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1993. K Dividend based on prospectus or other official estimates for 1992-93. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1993-94. N Dividend based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1994. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1225 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Foreign & Colonial US Smaller Co's Ord and Warrants (Section: Investment Trusts), Pilot Investment Trust Ord and Warrants (Investment Trusts), Portman Mining (Mines/Australia) and Walhalla (Mines/Australia). Deletions: Hunter Saphir (Food Retailing) and Sterling Trust (Other Financial).

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4 pm close May 3

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
13¾	11½	AAR Corp x	0.48	3.8	23	80	12⅝	12½	12½	-⅛
27⅛	20	A L Labs A	0.18	0.8	34	519	21½	20¾	21⅜	+⅜
61⅞	54⅝	AMP Inc	1.60	2.6	22	1482	61½	60½	61¼	+⅜
71⅝	55½	AMR			10	3322	69	66⅞	68¾	+1⅝
2¼	1¾	ARX			13	71	u2¼	2⅛	2⅛	
46⅞	29⅞	ASA	2.00	4.5	29	1107	45⅞	44¼	44¾	-⅞
30¾	22⅝	Abbott Lab	0.68	2.4	18	11455	28⅝	27⅞	28⅝	+¾
12⅝	10¼	Abitibi Pr	0.50	4.1	4	10	12¼	12¼	12¼	+⅛
11¾	10¾	ACM Gvt In x	0.96	8.2		171	u11¾	11½	11¾	+1/16
9¾	9⅛	ACM GvOpp x	0.79	8.3		30	9½	9½	9½	+1/32
9⅝	8¾	ACM Gvt Sp x	0.79	8.3		247	9½	9⅜	9½	
11⅜	10½	ACM Gvt Sc x	0.96	8.4		238	u11⅜	11¼	11⅜	+⅛
10⅞	9⅝	ACM Man x	1.08	10.0		77	u10⅞	10¾	10¾	+1.09
9⅛	8⅝	ACM Mangd x	0.72	8.0		169	9⅛	8⅞	9	+1/32
9¼	7¾	Acme Cleve	0.40	4.2	12	365	u9¼	9¼	9⅝	+½
9¼	6½	Acme Elect			800	13	8	7⅞	8	
16	12	Acuson			11	998	12⅝	12¼	12⅝	+⅜
22¼	19⅝	Adams Expr	0.48	2.3	7	177	21¼	20¾	21¼	+¼
66	45½	Ad Micro	3.00	5.0		138	60¼	58½	60¼	+2¼
32¼	17⅝	Ad Micro P	3.00	10.2	12	6342	29½	28⅜	29½	+1⅜
7¾	5½	Advest Grp	0.16	2.5	11	17	6⅝	6½	6½	
49⅞	41⅛	Aegon ADR	1.35	3.0	8	349	45¾	45	45⅝	+½
53¾	43⅞	Aetna Li x	2.76	5.2	[illegible]	1642	53	52¼	52⅝	-¼
14½	11½	Ahll A	0.26	2.1	28	214	12¼	12⅛	12¼	-⅛
[illegible]										

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

Continued on next page

NYSE COMPOSITE PRICES

4 pm close May 3

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close May 3

AMEX COMPOSITE PRICES

4 pm close May 3

FT INTERVIEW

The art of a political warrior

Ichiro Ozawa, Japan's leading political reformer, speaks to **Robert Thomson**

'It is my duty to keep sounding the bell'

Ichiro Ozawa carries into a room a tangible sense of certainty about his destiny. The chosen son of past elders of Japan's ruling Liberal Democratic party, he now runs a breakaway faction and portrays himself as anointed by history to change the unchangeable: Japanese politics.

Cultivated carefully by the US government, which also sees him as the man most likely to lead Japan into the next century, Mr Ozawa, 51, is hampered by scandal. He is awaiting his moment to return triumphantly to a debate about "political reform" which is animating the country.

Mr Ozawa was to have travelled to London this week to become more fully acquainted with British-style democracy. Difficulty in arranging meetings with perceived equals, including Mr John Major, the prime minister, and rumours of a snap election in Japan prompted him to cancel the visit, however.

For most Japanese, the recent conversion of Ozawa the Manipulator, who controlled the LDP from a backroom, into Ozawa the Reformer, pushing for openness and renovation, is one of the small miracles of the recent political instability.

Apart from Mr Ozawa's recently created LDP faction, a new party has surfaced. It is called, quite aptly, the Japan New party. There also exists a thriving crop of reform groups and a Tokyo-style "electronic town hall", as patented by Ross Perot in the US. Parliament is trying to redraw electoral boundaries and is debating tougher controls on political funding, while rumours emerge daily of fresh scandals and unholy alliances.

Among the most tantalising of the reports is that Mr Ozawa and Mr Tsutomu Hata, the former finance minister, are planning a new, mainstream party, slightly left-of-centre, a party which would draw members from the Japan Socialist party and from other opposition parties. The aim is to provide an electable alternative to the LDP, which has held power for the past four decades and which, according to reformers, has outlived its usefulness.

"Everybody is asking about the idea of a new party, but we can't see clearly yet what will happen. The first thing we must do is change the system of constituencies," he said.

As a card-carrying LDP member, his talk of a new party must necessarily be guarded, but the implication is that the time is coming when a new party will emerge, one in which he might well have played a formative role.

One obstacle to launching a new party is the recession, which has slowed the flow of corporate donations into politics, as has the recent round of corruption scandals. Mr Ozawa's alleged but denied links to those scandals – involving illegal payments by the construction industry to politicians in the hope of buying influence and winning contracts – have made it difficult for him to collect funds. It remains true that an overhaul of the electoral system would make politics a cheaper business, less prone to corruption and more open to new parties.

Reform has been deftly derailed in the past. The Recruit stocks-for-favours scandal of four years ago was widely supposed to have provoked fundamental change. At that time, there were suggestions that Ms Takako Doi, the Iron Butterfly, could lead the socialists to power. Instead, the strongly ideological party retreated into a self-defeating theoretical debate about its policies and Japanese voters appeared to forgive the LDP its excesses.

This time, Mr Ozawa says, will be different: "There is such strong feeling now because change has been building up in the system. Each of the scandals, Lockheed, Recruit, and so on, have added a momentum to the debate. I believe reform has a good chance of success."

Portents of change were broadcast on Japanese television last month, according to Mr Ozawa, referring to images of Mr Kiichi Miyazawa, the prime minister, in the company of US President Clinton in Washington. Mr Ozawa argues Japan should no longer be represented by Miyazawa-like politicians.

"As I was watching these two leaders, standing side by side, my deepest fears were realised. Everything about them – their expressions, their stature – told you that these two men were from different eras. Mr Miyazawa is the personification of the cold war era. It is not a matter of age; it is a way of thinking."

Part of Mr Ozawa's platform, and one reason for US belief that he represents a new era in Japanese politics, is his argument that Tokyo cannot play a full role in international affairs without domestic political reforms that would make the government quicker to respond to outside challenges.

Mr Ozawa supports constitutional changes which would allow the military greater freedom in international peacekeeping operations and which would develop a foreign policy more independent of the US.

"For the first time in half a century, we can see that the Clinton administration has a different attitude to relations with Japan. We can debate whether there is a consciousness change among the people of Japan, but there does need to be, at the least, a change in the consciousness of the people's leaders."

The unusual public criticism of Mr Miyazawa partly reflects Mr Ozawa's anger at his faction's isolation from the five other LDP factions. Meanwhile, the prime minister has not forgiven Mr Ozawa's alleged "arrogance" two years ago, when Mr Miyazawa was forced to make a humiliating visit to the office of Mr Ozawa, then party power broker, to have his appointment confirmed.

Other LDP faction heads also thought Mr Ozawa was rising too quickly from behind Mr Shin Kanemaru, the "godfather" of Japanese politics, now awaiting trial on tax evasion charges. These LDP officials were delighted that Mr Ozawa was hauled before parliament to testify on his links to Mr Kanemaru, among the politicians who received kickbacks from construction companies.

With the Kanemaru crisis itself an inspiration for reform and Mr Ozawa very close to the "godfather", the Japanese public has yet to be convinced that he is clean. And, like Mr Miyazawa, many Japanese perceive that Mr Ozawa, an MP since the age of 27, is a little too confident of his political prowess. Personality reform, however, forms no part of the Ozawa agenda.

"In terms of actions and awareness, I am not typically Japanese. It is very comfortable to be an ordinary Japanese, but I can't allow myself to become complacent. It is my duty to keep sounding the bell and to make people more aware. I know some people describe me as arrogant, but I have no intention of changing to suit them."

Mr Ozawa makes an important distinction between "tactics" and "strategy". For tactics, the day-to-day manoeuvring against political opponents, he finds The Art of War, the Chinese classic military manual by Sun Tzu, a useful text. The Art of War advises generals not to camp on low-lying ground and states that the ultimate satisfaction in a battle is to win without shots being fired.

For strategy, the longer-term political outlook, he finds inspiration in another Chinese text called Shiji, which traces the rise and fall of dynasties. His interest in history is reflected in his own comparison of 1990s Japan with 1860s Japan, the time of the Meiji Restoration, when reformers were struggling against state-controlled feudalism.

Mr Ozawa is drawing on these lessons of history to make sense of a political battleground on which only the initial skirmishes have begun. Like most Japanese, he is uncertain about the future course of a sometimes opaque debate about control – a debate made more complex by shifting relationships – but he is confident that he will recognise the moment for action and will triumph in the end.

"In Japanese history, during the Meiji Restoration period, there were many foot soldiers of reform who withered away without leaving any footprints, any sign of their contribution. I don't mind sacrificing myself for reform, as long as that sacrifice is not in vain."

PERSONAL FILE

- **1942** Born in Iwate, Japan. Educated at Keio University, Tokyo.
- **1969** Elected to House of Representatives.
- **1981-82** Deputy chairman of Liberal Democratic party's policy research council.
- **1982-83** Director-general, LDP election bureau.
- **1985-86** Minister of home affairs.
- **1987-89** Deputy chief cabinet secretary.
- **1989-91** Secretary-general, LDP.
- **1992-** Formed LDP faction.

A field day for the bears

MICHAEL PROWSE on AMERICA

Another wave of pessimism about the US economy now seems unavoidable. Even bearish forecasters were surprised by first quarter growth figures which showed the economy expanding at a sluggish annual rate of 1.8 per cent, sharply down from the 4.7 per cent rate of the fourth quarter. Final sales actually fell and, but for a jump in corporate inventories (stocks of unsold goods), real gross domestic product would also have contracted. Yesterday brought more gloom: the Purchasing Managers' Index – a widely followed guide to the health of manufacturing industry – was reported sharply down in April, mainly because of a plunge in orders.

"Poor lemmings are still crowding into the US stock market even though it is more overvalued than it has ever been," says Mr Jim Davidson in a tone of resigned disbelief. Mr Davidson, an investment adviser based in Alexandria, Virginia, is predicting a crash in US share prices, a decline in GDP in spite of further easing of monetary policy by the Federal Reserve and a rise in the US budget deficit to \$600bn-\$700bn as the economy sags.

With co-author Lord Rees-Mogg (the former editor of the London Times), he has just published a new edition of The Great Reckoning (Simon & Schuster), a survival guide for the "final depression of the 20th century".

I mention Mr Davidson's forecast, not because I agree with it, but to illustrate the diversity of informed opinion on the US economy. While not implying another recession, the GDP figures are ominous in some respects. The weakness of some of the US's largest trading partners does appear, finally, to be sapping the vitality of the recovery.

Last year US exports defied recessionary forces, growing at a real rate of about 6 per cent. In the first quarter they contracted at an annual rate of 7 per cent relative to the fourth quarter. These preliminary figures, which are often heavily revised, may well be overstating US export weakness; on the other hand few analysts believe the US has yet felt the full impact of the slow-down in Japan and continental Europe. But whatever the fate of exports, pessimists should remember that they account for less than 15 per cent of national income; the US is thus far better placed than small, open European economies to withstand even severe shocks to its external trade.

Other sources of first quarter weakness are less troubling. Business equipment investment expanded less rapidly than at the end of last year, but it still managed a creditable annual rate of increase of nearly 9 per cent relative the fourth quarter – hardly a recessionary reading. Residential investment stalled completely, but home building was hit by bad weather and had anyway soared late last year.

Government purchases contracted sharply too, but this reflected a precipitous decline in defence spending at an annual rate of 25 per cent relative to the fourth quarter. Defence will remain weak, but not this weak: almost certainly the collapse reflected the Bush administration's frantic efforts to pump up the economy ahead of November's presidential election by bringing forward spending.

This brings us to consumer spending, easily the most important component of demand. Real consumption grew at an annual rate of just over 1 per cent against more than 5 per cent in the fourth quarter. The slow-down was inevitable, given the low rate of US saving and the fact that consumer spending raced ahead of personal incomes at the end of last year.

But with employment so far growing faster than last year, and with debt burdens and interest rates well down, real consumer spending should grow faster this year than the 2.3 per cent registered for the whole of 1992.

While consumption growth at an annualised rate of 5 per cent was never realistic, an underlying rate of, say, 3 per cent is not far-fetched.

Recoveries never proceed in a straight line: a couple of strong quarters followed by a weak quarter is a perfectly normal pattern. But the eight successive quarters of growth registered since the mild contraction in the winter of 1990-91 are a reassuring sign of the economy's underlying momentum.

If you average the fourth and first quarters, you get real growth at an annual rate of 3.3 per cent, in keeping with the rate of expansion in the third quarter of last year and close to what most economists still believe is feasible for this year as a whole. A glance at spending in cash rather than inflation-adjusted terms confirms the economy's continuing buoyancy: nominal GDP grew at an annual rate of about 5 per cent in the first quarter, down from 7 per cent in the fourth quarter, but hardly a signal of impending doom.

Early figures for April provide tentative signs of a pick-up in spending. But the decline in the Purchasing Managers' Index suggests production and employment could be subdued for several months in reaction to weak demand in the first quarter. Consumer and business confidence is fragile partly because of growing uncertainty about the Clinton economic programme. Nobody is any longer sure which taxes will go up or whether the promised deficit reduction will materialise. At this stage the best guess remains that US growth will erratically climb back towards 3 per cent later this year.

Major's EC policy puzzle

IAN DAVIDSON on EUROPE

After so many demoralising months of hard pounding over the notorious Maastricht Treaty, the British government has decided it is now safe to come up from the bunker and re-nail its tattered flag to the European mast.

The ratification war is not yet won. But the end is near enough for the prime minister to believe he can and should re-affirm his support for the treaty. So he has started delivering some pro-European speeches, despite the undilute hostility of a minority of his party, led by Lady Thatcher.

So far it is not easy to detect the policy prescriptions in Mr Major's pro-European message. He is in favour of Britain's continued membership of the Community, because being outside would be worse; he believes Britain should be at the heart of Europe, whatever that may mean; but he does not have any positive agenda for where the EC should go next or what it should do.

Mr Major is happy to express hostility to any form of centralism in Brussels. But for the rest, what we are getting is a message which is pro-European in tone, but without any discernible policy content.

We should not be surprised. There was a time, in the distant past, when some people in the original six member states believed that Britain would eventually outgrow its innate scepticism, and come to understand, or even share, their commitment to the Community model of European integration. The reality of two decades of British membership has disabused them of this touching faith.

The plain fact is that the British political establishment does not like the treaty, and does not care much for the Community either. And the depth of its aversion has emerged clearly in the Maastricht ratification debates. Ostensibly there is a large majority in Westminster in favour of the treaty. But the debate over the social chapter has exposed a deeper reality, because it has generated conditions in which quite different alliances can conduct a covert fight against the Community behind the cloak of opposing party ideologies.

Objective reasons for Britain's Euro-scepticism are elusive. The UK economy is not radically different from other Community members. Whatever Mrs Thatcher's wishes, Britain is not like America: its social structures are similar to those of all other European countries, with highly developed networks of public welfare, health, education and social protection.

Whatever its irrational reasons, it is manifest that the British political establishment is uncomfortable with the European ambitions of its opposite numbers on the Continent. Until last September, Mr Major pretended to have a European policy, in the formula: £1 = DM 2.95. Events showed this was just a slogan, built on a fantasy.

Arguably, Mr Major needs a more solid European policy, and needs it urgently. Ratification of Maastricht is not the end of the story. Unless the exchange rate mechanism collapses completely, the other states will press forward. What will Mr Major say then?

The negotiations to admit new members from EFTA cannot fail to re-open debate on the full gamut of Maastricht commitments. What will Mr Major say then?

At the very least, enlargement must include more majority voting, and most likely a strengthening of the European Parliament. What will Mr Major say then? If he is not to be wrong-footed on such politically loaded policies, he needs to look for some issue where he can take a slightly more constructive stance.

The obvious choice should be the foreign and security policy chapter in the treaty, because Britain has real assets: its diplomatic service, its professional army, its seat on the Security Council, its nuclear weapons. But the British establishment's conditioned reflexes jerk it three ways: the claims of European co-operation have tended to give way to great-power nostalgia or to vice-regal submission to the US.

Bosnia has been a case in point. While the US stayed home, Britain and France worked hand-in-hand. When President Clinton threatened to get involved, Britain cranked round to get in line, regardless of the merits of the new US policy. This US whipsaw cannot be good, either for Europe or for Nato.

Now there is a school of thought in Whitehall that Britain is under no urgent pressure to respond to the Community agenda. First, the programme for Economic and Monetary Union is in disarray. Second, some other member states are themselves in political difficulty; for example, Italy, Belgium, Spain. Third, there are major uncertainties over the costs of our social welfare systems.

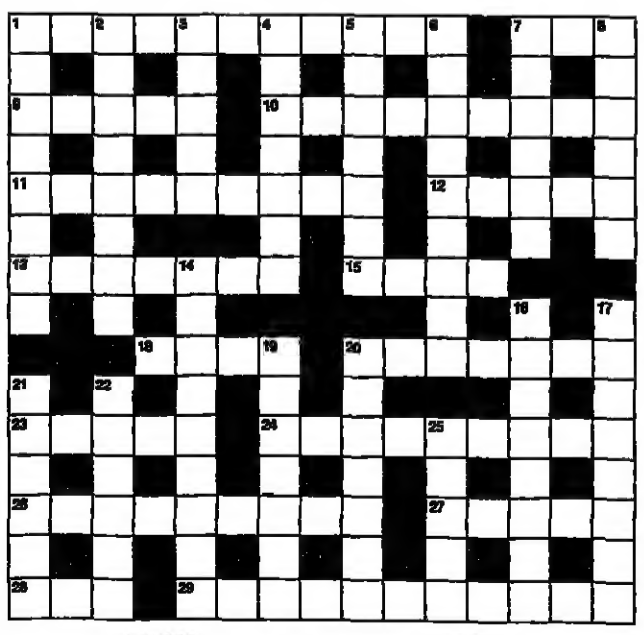
It would be difficult to deny the reality or the gravity of these problems. There is clearly a multi-faceted crisis of the European nation state; one facet is political corruption, as in France, Spain and, above all, Italy; another is the failure of the left-right political model, as in France; a third is the tension between the illusion of national sovereignty and the pain of regional solidarity.

There is also the crisis of European competitivity, which shows up in the arguments over EMU, over the costs of the welfare state and the social chapter, and contradictory pressures between protectionism and trade liberalisation in the Uruguay Round negotiations. And then there is the crisis of strategic disorder – witness the disintegration of Russia and Yugoslavia.

But anyone who argues that these crises exonerate Britain from coming to terms with the Community paradigm, and from finding a constructive European policy, are making a mistake. Unfortunately, it is the same mistake Britain has been making for 50 years.

CROSSWORD

No.8,141 Set by DANTE



ACROSS

1 One more makes a soldier a sailor (6-5)
7 Seed of discontent? (3)
9 Chosen from the depot (5)
10 Spoke to a number in uniform (9)
11 A souvenir about what has been left behind (9)
12 Everybody is about to read Coral Island (5)
13 Topical change of view (7)
15 This could be said from the platform (4)
18 Still one might doubt its existence (4)
20 Even start (7)
23 Foreign tongue somewhat rich in dialects (5)
24 Takes a meal among sailors, though it causes delay (9)
26 Sack to unload (9)
27 Plan to have a drink, say (5)
28 Faint from endless deprivation (3)
29 Lemon tart is ordered for the conductor (5,6)

DOWN

1 Young stallholder (8)
2 I'm going into property assessment (8)
3 Bones placed in a circle (5)
4 Play school syllabus is a disgrace (7)
5 Called for as arranged (7)
6 Part of plans for promotion? (9)
7 Shakespearean character is found in complicated plot (6)
8 You could be up the creek without it (6)
14 Treasures and riches he's put together (9)
16 Possibly finding rent a lot but not criticising (8)
17 Liqueur made in eastern state (8)
19 One kept in during school break (7)
20 Wave on a doctor (7)
21 Sort of boxer dog? (6)
22 Trade organisation about to start striking reach agreement (6)
25 Land part in Diamond Lil (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday May 15.